

Lions Clubs International



The Australian Lions Treasurer's Manual

Produced for the Top End NT Club Development Team 2000-2001
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Preface

This manual was originally written in an attempt to provide treasurers of Lions, Lioness and Leos Clubs in Australia with a comprehensive guide to their task as treasurer. It has been revised a couple of times to add or change content after feedback from users, most of it positive, and will continue to be revised as the need arises. Feedback has come from as far away as New Zealand. The manual has now been released through the Australian Lions Website in an effort to make it more widely available.

Every year, Cabinet Treasurers in most Lions Districts run a school for incoming club treasurers. Almost always, these schools concentrate on the bookkeeping aspects of Lions that are special or different to other organisations.

In almost every case, a prior knowledge of bookkeeping is assumed and often that is a valid assumption because treasurers are frequently accountants or bookkeepers. This manual is not aimed at treasurers with qualifications or experience in keeping a set of books, it is aimed at the rest of us who are not qualified. It is written to guide a novice treasurer through the mysteries of bookkeeping from setting up the accounts through to producing a set of finished books complete with annual financial statements ready for the auditor.

Being a treasurer for most clubs is not a difficult task given a little knowledge. Many treasurers in the past have managed simply by following what went before, but that method presupposes that the previous set of books was done reasonably correctly. It is hoped that this manual will provide a more positive and comprehensive guide for the new treasurer, and possibly a bit of procedural assistance and a few new ideas for those who already have qualifications or experience.

This manual is in no way a substitute for the annual treasurer's school, where latest information about dues and other changes will be available.

The author is *not* qualified as a bookkeeper or as an accountant but has been a club treasurer seven times, with two different Lions clubs. He has compiled a set of books and returns for two years from nothing more than photocopy bank statements, club minutes and member's memories after a treasurer "skipped with the cash" – including all of the records, cheque books and butts and everything else. Although unqualified, he is of an enquiring mind and always ready to ask questions. Being married to a qualified accountant and auditor for 25 years probably helped a fair bit, too!

The methods and systems presented here are not the only way to carry out a club's bookkeeping, nor are they necessarily the best way. Very large clubs with complex ongoing financial commitments might find these methods too simplistic. The few clubs with GST registration because of some retail arm such as a store or regular auction will not find anything about GST here. Only a tiny minority of clubs need know anything about GST. A new and inexperienced treasurer has more than enough to learn without that sort of complication being added. This manual is aimed squarely at the ordinary, average Lions club with ordinary, average financial transactions which probably caters for better than 95% of clubs.

Suggestions for additions, corrections, changes or clarifications are welcome, as are details of any special methods, forms or other ways clubs ease the treasurer's task.

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SECTION 1: WHY BE A TREASURER?

SOMEONE HAS TO DO IT!

There are many reasons why Lions take on the Treasurer's position. Often a fair bit of coercion is involved. Frequently a professional accountant or book-keeper puts his or her hand up because there isn't anyone else. In my experience, the last thing most people want to do *after* work is more of the same thing they do *at* work. In fact, this is often the beginning of a Lion losing interest in our organisation.

We have all heard the old ones about the builder's house never finished, the mechanic's car in need of repairs, the dentist's bad teeth and the painter's unfinished decorations. There is a lot of truth in these old sayings simply because when the builder gets home from a days building, he really doesn't want to build anything, the mechanic has surely seen enough motor cars for one day, the dentist enough teeth. Yet we often ask bookkeepers to keep books in their spare time!

People who don't know how to keep a set of books often view the Treasurer's job as something of a black art, a mixture of magic, potent spells and crystal ball gazing. With the exception of the budgeting process, which involves a degree of crystal ball work, there is nothing occult, mysterious, difficult or onerous about what the Treasurer does. A few simple principles, some consistent record keeping and bingo, it's done.

Once you have learnt the mechanical side of keeping books, as long as you spend a little time as soon as possible after each meeting doing your "Treasurer's thing" you will quickly find that it is actually quite an easy job that carries a lot of prestige in the Club.

Every Club – and not just Lions Clubs – looks up to a Treasurer who can provide accurate and timely financial reports and advice. What you will learn through this manual will help you to take on the treasurer's position of almost any small non profit Club or Association should you ever wish.

SECTION 2: SOME BASIC RULES AND PRINCIPLES

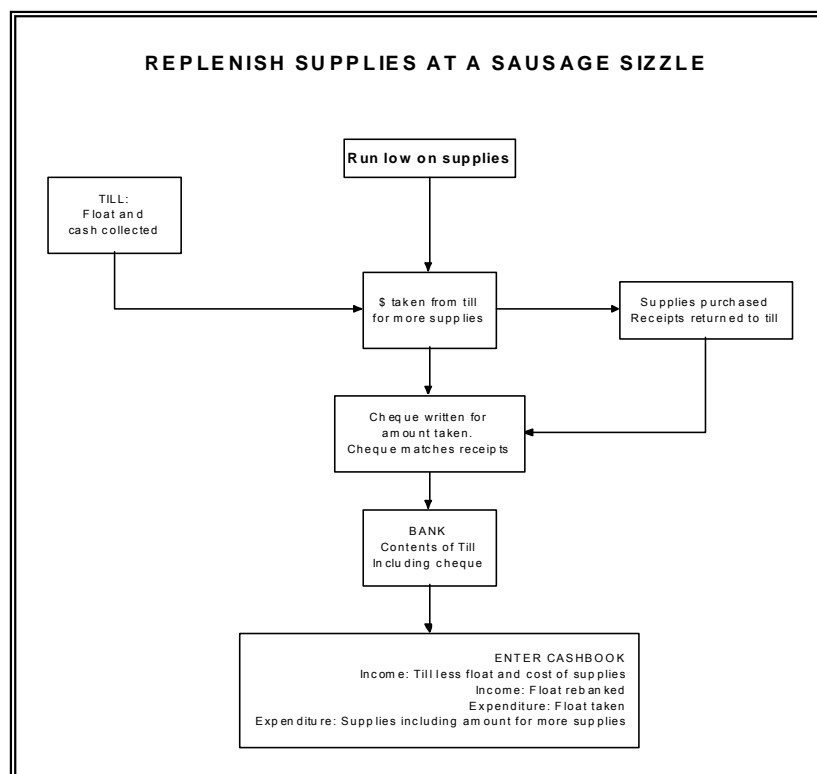
Always pay by Cheque

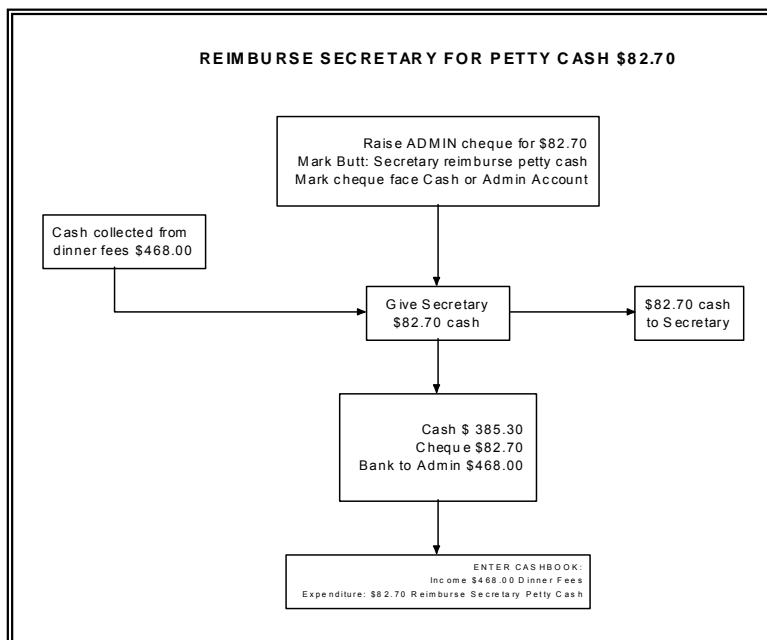
It can be very tempting to simply hand over a fistful of money you have collected at a dinner meeting to pay for the meal. It saves a lot of the banking, saves you carting sometimes hundreds of dollars around, and saves a bit of bookkeeping as well. **DON'T DO IT !**

Paying by cash leaves no adequate record of the transaction, doesn't comply with the rules about approval of expenditure, and leaves you wide open to being accused of "fiddling the books" if something goes wrong. I know of at least one instance where hotel staff pocketed a cash dinner payment and the hotel subsequently billed the club for the dinner which the treasurer knew he had paid but had no record of paying. Nasty.

It is very important that we are not only scrupulously honest but are seen to be so. This applies to all Lions, but particularly so to treasurers who have been put in a position of great trust by their club.

1. It is quite legitimate to raise a cheque for something where cash is actually needed - such as to reimburse petty cash - and then hand over cash from funds on hand - such as dinner receipts provided:
 1. The amount on the cheque and the cash handed over are exactly the same.
 2. The cheque is then banked along with the rest of the cash, so that the correct amount of money is deposited. It does not matter that the cheque is drawn on the same account it is banked to.
 3. The cheque details are recorded in the expenditure section of the cashbook against whatever it was drawn for, exactly as if it had been cashed at the bank. The cash, including the amount of the cheque, is recorded in the income section of the cashbook in exactly the same manner as if all of it was cash. The cheque is simply considered to be cash for this purpose.





Always Issue Receipts

All money should be receipted as soon as it is received. In most cases, the original receipt should be handed to the person handing over the money, although a simple receipting system for things like meal costs at dinner meetings, fines and similar amounts is suggested in Section 6.

Receipts help you to write up your cashbook correctly and are a form of protection against error and misunderstanding. A receipt written, handed over and received at the time the money is given to you is generally accepted as proof that you have received a certain amount of money.

It is quite legitimate to endorse a receipt "subject to count" when you accept large amounts of coin. If there is any variation between the amounts claimed and the actual count, it should be verified with the person handing it in and the receipt can then be endorsed with the actual amount counted.

Petty Cash

Many clubs run a small petty cash account, usually operated by the secretary to pay for postage and the like. This is quite OK; just reimburse the account with a cheque when it needs topping up. Never hand over cash from your receipts, *always* write a cheque. See the flowchart on the previous page for a way to give the Secretary cash and still write a cheque. Usually the person operating the account starts with a cash advance – say \$50, which the treasurer gives to him in the form of a cheque that he can cash. He then keeps receipts for all of his purchases, taking the money from the advance and often filling out a simple voucher for each purchase, which is then stapled to the receipt.

These receipts and vouchers should be able to be added together at any time and total exactly the amount of money missing from the advance.

When the advance runs low, the receipts and vouchers are handed over to the treasurer to file (the auditor will want to check them) and a cheque for the total of the receipts is issued. The treasurer accounts for this transaction in his cashbook simply as "petty cash" in the appropriate column and doesn't try to break it down any further. He holds the receipts as proof of the amount of the cheque.

As explained on the previous page, you can cash the cheque from funds in hand as explained above, and then bank the cheque along with the rest of the cash.

Cash Advances

Sometimes a project is such that a lot of cash based shopping needs to be done for supplies. Purchases might need to be made from a number of places that don't take cheques, where in any case the exact amount is not known before the purchase is made, where the amount sometimes is quite small or where for some other reason cash is needed to pay for goods. This sort of thing is quite common when preparing for a club barbeque, or a fundraiser involving some sort of food stall.

You will need to be very careful how you approach this sort of project so that everything is seen to be above board, but it can be quite easily done. In essence, the same method is used as for petty cash, except that the amount is greater.

Some methods, considerations and suggestions can be found in Section 10 "Recording and reporting a major function or fundraiser"

How to use Debit Cards (but we must have two signatures !!!!)

Sometimes, use of a debit card would be very convenient for everyone concerned, but it is often thought that debit cards can't be used because of the requirement for two signatures. Say for example, that a club has a regular catering commitment. It would be much easier for the Lion who buys all the supplies to have a debit card that could be used rather than have to get cash advances every time, (or to have to front their own money for the purchases and then claim it back.) There is a simple way debit cards can be used, and still comply with all of the rules and, more importantly, the principles behind them.

1. Establish a card for a single user, with a fixed limit – say \$500. You may need to open a separate account specifically for this card, and if so, it should be an activity account for most circumstances. (The expenditure would all be for an activity rather than an administration item, although you could perhaps do the same with an admin card for the bulletin editor to pay their costs)
2. Design and produce some simple vouchers on which the card user can show the date, amount, item purchased (and any other relevant information), and a provision for two signatories, one the treasurer, to approve the voucher.
3. In use, the card holder buys whatever is necessary, using the card. Receipts are carefully kept and at the conclusion of the event, the card holder fills out a voucher for each purchase, staples the receipts to the vouchers, and gives them to the treasurer. The treasurer then checks each purchase, signs approval, as does another signatory, and then reimburses the card account with the amount that has been spent, using a cheque to do so.

Note that the reimbursement cheque itself actually complies with all of the legal requirements for two signatures and it is not really necessary for the vouchers to have two signatories. There is no real difference between a card used in this manner and a cash advance for the same amount as the card value.

SECTION 3: BOOK KEEPING AND ACCOUNTING TERMS AND PRINCIPLES

This is not by any means a definitive list of accounting and book keeping terms - we don't want to scare you off! (Actually, we haven't a clue about what a lot of them mean anyway) What we have tried to include here are those terms and concepts you are likely to come across as a club treasurer.

Many of the interpretations and explanations are modified so that they fit in the context of Lions Club book keeping, rather than in their purest accounting sense.

Listings are in alphabetical order and are followed by a short section about cash based accounting.

Accounts: *The record of the club's financial transactions. See the more common non-professional term "books" for more details.*

Asset: *An item of value. In this context, items owned by the club such as regalia or a club catering trailer are assets. May be recorded in a ledger and taken up in the balance sheet, but often recorded and managed outside the official club accounting system for clubs without major assets.*

Asset Register: *Some form of recording which lists all of the club's assets and records details of their acquisition, current value and disposal.*

Audit: *An official process, which formally checks that the club's financial position is as the treasurer has stated in the annual financial report. Audits are carried out in accordance with Australian Accounting Standards and test that the transactions recorded by the treasurer are valid, correctly recorded and backed up by records to verify their validity. The audit process is time consuming, painstaking and exposes the auditor to professional liability so it can be quite expensive. There are steps a treasurer can take to make the auditor's job easier and these are detailed in the audit section.*

Auditor: *A person who carries out an audit. Usually professionally qualified.*

Accrual Accounting: *An accounting method commonly used in business in which forward commitments (i.e. transactions which have been committed but not yet processed, such as orders which have been placed on a supplier and which the business is then committed to pay once the goods or services are delivered) are allowed for in the accounts. It is not normally used in Lions Club accounts and is not covered in this manual.*

Balance Sheet: *A report that shows the club's true financial worth, balancing all assets and debts one with the other. Prepared annually as part of the financial report, but can be prepared at any other time if there is a need.*

Bank Reconciliation: *A process that explains the difference between an account bank balance according to the bank statement and the balance of the same account according to the cashbook. It allows for things such as cheques that have been written but not presented to the bank, money that has been banked since the bank statement was raised and all other differences. It is an essential part of the treasurer's report every month.*

Bank Statement: *A record of transactions that have taken place on a given account as recorded by the bank for a given period. It is usual to arrange with the bank for a monthly bank statement.*

Brought Forward (B/F): *The opening entry on an accounting book page that has been transferred without change from the last entry on the previous page.*

B/F: *See "Brought Forward"*

B/S: (The whole thing might be B/S to many, but that's not what B/S means here!)
The symbol used in book keeping indicating that a transaction originated from a bank statement. e.g. bank charges are usually ascertained by examining the latest bank statement. They are then entered in the cashbook and the B/S symbol is used in the "cheque number" column to indicate that they came from a bank statement and not a cheque.

Books: The term usually applied to all of the treasurer's records. It includes the actual books of account (the "cashbook") and also includes the cheque butts, bank statements, receipts, invoice copies and other records of financial transactions. A copy of the official minutes of club and Board meetings also forms a part of the books because it is the only proof that any item of expenditure has been approved in accordance with the constitution.

Books of Account: A fancy term for "books" (q.v.)

Carried Forward: (C/F) The term used at the last entry on an accounting book page to show that the amount designated as "carried forward" or "C/F" has also been shown as the opening entry on the next page.

Cash: Everyone knows what cash is. In bookkeeping the term is often used to include cheques as well. "Cash Receipts" actually means "cash and cheques received". In this sense, cash received means bankable money received.

Cash Accounting: A method of accounting where transactions are only recorded as they occur. When cheques are written, they are recorded, when bills are paid they are recorded. No accounting is made of commitments until payments are actually made.

Cashbook (cash book): An accounting record book in which cash transactions are entered. The term is used loosely to describe any form of record book used in a cash accounting system. The actual book can follow many different formats and can be paper or computer based. Some of these methods are dealt with in this manual.

Cash Receipts: Used synonymously (and incorrectly) with "Income".

C/F: See "Carried Forward"

Costs: See expenditure

Disbursements: see expenditure

Expenditure: (Expenses, costs, disbursements). The money the club pays out for supplies and services. It includes bank fees and charges and government taxes. In book keeping terms all transactions are either income or expenditure. In a pure accounting sense, the term "Cash Disbursements" should be used unless the accrual method of accounting is followed however "expenditure" is commonly misused, widely understood and in reality quite acceptable except to purists.

Expenses: see expenditure

Financial Accounts: See "Accounts"

Funds: Money.

Income: Money received from any source including member's dues paid in, money from the public, bank interest, bequests and gifts. In book keeping terms all transactions are either income or expenditure. In a pure accounting sense the term "Cash Receipts" should be used unless the accrual method of accounting is followed however "Income" is commonly misused and is widely understood to mean "Cash Receipts"

Income & Expenditure Statement: A statement calculated from the cashbook (q.v.) that shows where money has been received from and where it has been spent for a given period. An annual version forms part of the annual statement of accounts.

Journal: There a number of accounting uses for journals, but in terms of simple Lions cash accounting; it can be used synonymously with cashbook.

Ledger: A book that records transactions in, and shows the current balance of, some account. An old-fashioned savings bank passbook is a form of ledger. Commonly a ledger has three money columns, showing money in, money out and current balance. There is always an amount carried forward (which may be zero) to start the balance column. One way to use a ledger to help in the treasurer's duties is shown in Part 9 - Keeping Track Of Members Dues.

Accounting Methods – Cash Based Accounts Vs Accrual Accounts

All you really need to know in half a page.

(Just so when some clever professional accountant tries to trip you up, you'll be trip-proof. Well, anyway, at least you will have heard of Accrual Accounts and know that you use Cash Accounting)

There are two principle methods of accounting in common use in small business and associations:

- Cash Accounting, and
- Accrual Accounting.

Cash Accounting.

In Cash Accounting, all income is recorded in the books when it is received and all expenditure is recorded when payments are made.

In other words, when a bill for something comes in, no accounting is made until the cheque is actually written and sent off. When a liability is incurred, such as an item is purchased on credit without initially paying for it, no accounting is done. When a bill for something owing is sent, or members dues become payable, no accounting is made until the actual payment is received.

Nothing happens in the books until money changes hands.

This is *Cash Accounting* or *Cash Based Accounting* and is almost universally used for Lions Club accounting. There are usually no credit purchases – see the section on the constitution – and amounts owed to the club are also uncommon, so cash based accounting is quite adequate. It is also much simpler to understand and carry out than the alternate.

Accrual Accounting

In accrual accounting, transactions are recorded when they are made, not when they are paid. Sales made on credit are recorded in the books as soon as the sale is made, bills that are due to be paid are recorded as soon as the liability to pay those bills arises.

For instance, when a purchase order is raised, the details are recorded in the books straight away, even though the amount that will have to be paid may not be due for several months.

This is a system used by business because it gives a much better overall picture of the businesses financial situation. Imagine if cash accounting was used and someone

ordered a new jumbo jet. There could be a horrible cash flow problem when it was delivered; or perhaps if millions of dollars of sales were made on credit. With cash accounting nobody would know that the company was millions of dollars better off!

That is quite a bit more than you need to know about the two accounting methods.

This entire manual concentrates on CASH BASED ACCOUNTING. You will not hear of Accrual Accounting again.

Although we use Cash Based Accounting NEVER pay for anything with actual CASH. ALWAYS PAY BY CHEQUE. (But see the sections on ways you can pay by cheque yet still give members cash money under some circumstances (Page 2), or how you can use a debit card and still pay by cheque (Page 4) !

Section 4: WHAT THE CONSTITUTION REQUIRES

The Treasurer (You!) And The Law

Lions Constitutions.

The "Standard Form Lions Club Constitution and By-Laws" which is the basis of the constitution governing your Club says of the Treasurer at By-Law Article II, (7-09)

(e) TREASURER: He/she shall:

- 1 Receive all monies, from the secretary and otherwise, and deposit the same in a bank or banks recommended by the finance committee and approved by the board of directors;
- 2 Pay out monies in payment of club obligations only on authority given by the board of directors. All cheques and vouchers shall be signed by the treasurer and countersigned by one other officer, determined by the board of directors;
- 3 Have custody and keep and maintain general records of club receipts and disbursements;
- 4 Prepare and submit monthly and semi-annual financial reports to the international office of the association and the board of directors of the club;
- 5 Give bond for the faithful discharge of his/her office in such sum and with such surety as determined by the board of directors.

The same constitution provides at Article VIII (Board of Directors), Section 3. Duties and Powers:

....(in addition to other powers).....the board of directors shall have the following duties and powers:

a.....(unrelated to treasurer)

b It shall authorise all expenditures and shall not create any indebtedness beyond the current income of this club, nor authorise disbursement of club funds for purposes inconsistent with the business and policy authorised by the club membership.

c It shall have the power to modify, override or rescind the action of any officer of this club.

d It shall have the books, accounts and operations of the club audited annually or, in its discretion, more frequently, and may require an accounting or have an audit made of the handling of any club funds by any officer, committee or member of this club. Any member of this club in good standing may inspect any such audit or accounting upon request at a reasonable time and place.

e It shall appoint, on recommendation of the finance committee, a bank or banks for the deposit of the funds of this club.

f It shall appoint the surety for the bonding of any officer of this club.

g It shall not authorise, nor permit, the expenditure, for any administrative purpose, of the net income of projects or activities of this club by which funds are raised from the public.

h....(unrelated to treasurer)

i....(unrelated to treasurer)

j It shall maintain at least two separate funds governed by generally accepted accounting practices. The first fund to record administrative monies such as dues, tailtwisting fines and other internally raised club funds. A second fund shall be established to record activity or public welfare monies raised by asking support from the public. Disbursement from such funds shall be in strict compliance with Section E. (7) of this Article VIII. (i.e in accordance with paragraph 7 immediately above)

Note that the actual wording of the Standard Lions Club Constitution may vary, depending on which version you read. (It is annually revised by LCI). Your club's constitution is actually the one lodged with your state authority when the club was incorporated, varied by any amendments that have been lodged with the authority since then. Regardless of the actual constitution version referenced, the basic constitutional principles remain substantially as shown above.

What this means in practical terms is:

Any legal professional will tell you that anyone silly enough to attempt to translate the law into easily understood language is a fool indeed. OK, I'm a fool. Don't take any of my interpretations as gospel. Read *your club's* constitution yourself and make your own interpretations. In doing so you should also study "Joske" - (Law and Procedure at Meetings in Australia - Mr Justice Joske) You cannot interpret the meaning of any meeting law in Australia without a comprehensive knowledge of this book.

The interpretations given here are based on more than twenty years experience as a Lion, seven terms as treasurer including reconstructing two years worth of books from nothing more than copy bank statements and minutes after a treasurer "skipped with everything" and 25 years of marriage to an auditor. The interpretations may ultimately prove to be wrong in places, but they are sure to be as good advice as you are likely to find anywhere else free of charge! Use them as a guide to your own interpretation of the rules and seek professional advice for anything important that is beyond your ability or knowledge.

All monetary transactions should be through the Treasurer. This does not prevent others from collecting and counting, for example, Lion Mint money, or having a float and operating the till at a function, it just means that ultimately the money must go through the treasurer, as must all accountings of it. e.g. A committee chairman might be given a cheque to draw for a float and keep his own accounting of how the money was used and what funds went where and came from where but that accounting must pass with the money and receipts to the treasurer for incorporation in the official books of account and for banking.

The bank used must be approved by the Board and there must be at least two accounts, one for internally raised funds ("Administration" Account) and one for funds raised from the public ("Activities" or "Project" account.)

All payments must only be made on approval of the Board (which may also be on approval of the whole club). The only practical way to ensure this is to have a formal resolution (motion) passed for every item of expenditure, and to make sure every one of those resolutions is minuted in the official minutes. It is common for the treasurer to move these

motions in the absence of any other action to ensure the approval is given and minuted. A single resolution approving a regular expenditure in advance may be made for the current year, such as approval to pay all dinner meeting costs. Many Auditors will require a copy of the official minutes so that they can check that all payments made have been correctly authorised. This is an extremely important principle which **MUST BE FOLLOWED** by the club even if the auditor does not ask for a copy of the minutes. The Treasurer should keep a copy of the official minutes of all meetings (including Board meetings) as part of the books. It is a good idea to mark each resolution approving expenditure and use a corresponding mark in the books to make the Auditor's job easier. See also point 9 below where approval of the club is needed to change any policy regarding disbursement of funds.

Unless your club's constitution has been changed from the standard one, *all cheques must be signed by the treasurer* and at least one other person. It is usual practice to have two or three approved signatories in addition to the Treasurer to cater for absent members. (Perhaps this rule also means that Treasurers must never be absent???) The Board decides who these extra signatories will be; again the decision should be minuted. **NEVER SIGN BLANK CHEQUES.** It might be convenient, but it is the stuff that temptation and fraud is made of.

The Treasurer is required to keep adequate financial records by generally accepted accounting methods and is also required to have custody of those records. "*Generally acceptable accounting methods*" would usually be taken to mean that the books are kept in accordance with the applicable Australian Standard. The method is normally Cash Accounting (Technically, records are kept "*according to the historical cost convention*") because unlike a business where debt and forward commitment (e.g. commitment to pay for something ordered but not yet delivered) is commonly a part of the accounts, Lions Clubs are not allowed to get into debt and consequently never order anything without reserving the appropriate amount of cash to pay for it, then always pay on delivery so the complexities of accrual accounting are not needed.

A monthly financial report (which implies a lot more than a bland bank balance) must be given to the Board, as well as six monthly detailed financial reports. The constitutional requirement for monthly and semi annual reports to the International Office is generally not enforced, but as a minimum an annual report must be filed with your District (i.e. with the Cabinet Treasurer) for forwarding to the International office.

The "giving bond for faithful discharge" clause is covered in Australia by Lions fidelity insurance.

A club is not permitted to go into debt beyond its current income. This is open to interpretation, but generally would probably be taken to mean that a club must not take on any debt beyond its current ability to pay from existing funds or to pay from some proven regular income. e.g. If a club wanted to run a car raffle, it would either need to have sufficient funds to purchase the prize car before the raffle was started or would need some benefactor to underwrite the car's purchase. It would not be correct for the Club to agree to pay for the car after enough tickets had been sold because that would constitute "beyond the current income" of the club. If enough tickets did not sell and the club was required to pay for the prize car, it would be in breach of its constitution.

Funds may never be disbursed for any reason beyond those approved by business and policy authorised by the club membership. Any general policies concerning payment of any kind developed by the Board (which is the correct place for them to be developed) and any business requiring payments of any kind must be approved by the club membership. The Board does not alone have the authority to approve any payments.

Any action taken by the Treasurer (or any other Club Officer) may be rescinded or changed by the Board. Legally, this probably includes any action the Treasurer has taken that complies fully with the constitution but with which the Board disagrees. In essence this might be a provision for those occasions where a club officer has been a "bit of a smart b++++" and has complied literally with the rules but still managed to do something the Board disapproves. Lions who consider the Ethics will never get into this position.

The books must be audited annually, or more frequently if the Board directs. The audit includes an operational audit (i.e. an audit of the club's operations for compliance with the constitution). See the following section.

The Board may require an audit at any time of any funds handled by any officer, committee or member of the club. (e.g. a committee chairman who handled funds might be subject to an audit if the board is not happy with the outcome or operation of that chairman's committee). The Board may at any time require an audit, but would not normally do so without good reason. Audits are time consuming, frequently very expensive, and a lot of bother for a few people. Wherever there is any suspicion of wrong handling of funds and the Board is not happy with explanations given (or not given), an audit might be appropriate. Whenever there has been a problem of someone "skipping with the cash" (not all Lions are as honest as we would like), then an audit is the first step to proving wrongdoing.

Any club member who is financial (i.e. who owes the club no money for dues or anything else) may ask to inspect any audit or books of account at any reasonable time and at any reasonable place. It would probably be held to be reasonable in this context for any Lion in good standing (ie financial) to request that the books or accounts in question be presented at the next meeting but not reasonable to request the treasurer to bring the books around to his home for examination.

Funds raised by asking support from the public must be used for other than administrative purposes. This is a guiding principle behind Lions, it is one of the main reasons Lions are so successful and enjoy so much public trust and confidence.

IN ESSENCE: EVERY CENT RAISED FROM THE PUBLIC MUST GO BACK TO THE PUBLIC

Underlying Principle

When the International Association was first incorporated in 1917, one of the Articles of Incorporation included the words "...**to govern all such chartered clubs so that they** (...not relevant.....) **not for profit of the individual club or its individual members.**"

What constitutes "Administration" funds ?

Any costs of administering a club, as opposed to the cost of public service, must be paid for from funds other than those raised from the public. Some administration costs include:

1. Member's dues paid to district, multiple district and the International Association.
2. Most club insurances, except for a very small amount which is detailed in the club's dues statements from district.

3. General postage, including envelopes and paper. Postage and paper costs, for example, to send out invitations to a fundraiser, or print flyers for a fundraiser, would be legitimate costs to that fundraiser, but all other postage and printing costs are administration.
4. Cost of printing and posting club bulletins, minutes and other notices to members
5. Bank fees and charges to the club administration account
6. Meals and drinks, including those provided to guests (including guest speakers)
7. All convention costs, including travel and accommodation for members, hospitality books, etc
8. All club regalia, including banners, bannerettes and badges, flagsets etc.
9. Purchase and ongoing maintenance costs of a clubhouse or other real property

Raising funds for the Administration Account

There are several ways funds may be raised for club administration purposes. These are:

1. From member's and partner's own pockets – dues, internal raffles, tailtwisting and similar means where the money comes entirely from the Lion member's own resources.
2. From rental (hire) of equipment. Club equipment, say a mobile coolroom or BBQ trailer, may be rented or hired to people for a fee. That fee is legitimate administration money. That is because when you hire something to people, you are not asking for support from the public, rather you are renting someone, usually some other association or group, the equipment for a fixed period and for a fixed fee.
3. From labour supplied to another group for a particular service. (“donated member compensation for work as individual citizens at a non-Lions event”) This may be, for example, working the footy gates for the local footy club. There are some restrictions, though:
 - a. Members must not be dressed or identified as Lions. This is so that the public are not misled into thinking they are donating to Lions rather than paying to enter the footy grounds.
 - b. The event must not be a Lions event – otherwise the public would be donating to Lions, even if members were not identified as Lions.
 - c. The reimbursement, however calculated, must be paid to the Lions Club, not to individual members (who would otherwise be required to declare the money as income for tax purposes)
4. From advertising in Lions bulletins or journals. Again, the funds are not collected as support from the public as such, rather they are collected for a service (the advertisement) supplied.
5. Direct operating expenses of a fundraiser or project. Note that the term is “direct operating expenses”. This means that you cannot deduct any percentage for administration, you can only deduct actual direct costs, such as the cost of food resold, gas used to cook it, ice used to keep it cool, or disposable plates and cutlery.
6. If the club owns a building which is used to meet the needs of the community at large – i.e. it is hired or loaned for general community use completely divorced from the Lions Club, then a percentage of the proceeds of each activity held at the building may be deducted to go towards the operating expenses of the building. Note that the funds deducted may *only* be used for operating expenses of the building.

7. Interest paid on the funds in the administration operating account (only).

Funds that may NOT be used for administrative purposes

The methods of raising funds set out in the preceding paragraphs are the ONLY ways funds may be raised for administrative purposes. A club may not use funds raised in any of the following ways for any administrative purpose:

1. Any fundraising event open to the public, including raffles, sales of goods such as Christmas cakes and other methods where the event or item is open to the public.
2. Public contributions or bequests.
3. Interest on accumulated investments from money received from the public. i.e all interest paid on investment accounts and activity or project operating accounts. (Interest paid to the administration fund operating account is legitimate administration money.)

Appendix 10 is a "Use of Funds" sheet and legal opinion about use of funds raised from the public. It is taken directly from the Lions International Board Policy Minutes – the highest authority of all. Nothing in your club's constitution, policies or procedures may contravene Board policy and even if your constitution says something different, the International Board Policy overrides it.

Transferring funds between accounts

Funds in the Administration account belong to members, and the members can decide to do whatever they wish with those funds, including transferring any proportion to the public funds (Activity or Service) account. Once funds have been transferred to be used for public service, they cannot be transferred back unless the original motion to do so is rescinded.

Public funds, in the Activity or Service account, cannot under any circumstances be transferred to the administration account, even as a loan. The only circumstance when funds can legitimately be transferred from the service account to the administration is when they have been incorrectly banked there in the first place. If that happens, it is vital that the whole procedure is adequately documented in a manner that clearly shows the error that was made, and establishes beyond doubt that the subjects funds are in fact administration funds.

You may not borrow funds from the Activities (Service) account even for a very short period, to top up the administration account.

Other Legal Requirements.

Many of the other legal requirements treasurers and their clubs must meet vary between States, Territories and local councils. Rules concerning reporting to comply with Associations legislation, lotteries and gaming requirements, local licensing and permit requirements and fees for stalls and so forth vary widely. If your Club is incorporated, as it should be, there will be some quite specific reporting requirements under your State or Territory Associations Incorporation Act (or whatever it is called in your part of the world). You need to be familiar with these requirements so that you can comply with them. There are often quite severe penalties for non compliance.

GST should have little effect on the average Lions Club, other than to increase costs a bit. There is no need for most clubs to register for GST and there is no way most clubs can claim GST. If you run say a food stall you simply pay GST when you buy your supplies and then you sell the items at whatever price you decide. You DO NOT add GST to the sale price because you have already paid it. If of course you are one of the few clubs registered for GST, then you MUST charge GST on the sale price, but you can claim back GST you paid on purchases. All much too complex for a simple book keeping manual like this!

Cabinet Treasurers and Secretaries usually provide information on the more important aspects of these things as they apply in their District's area, as part of the annual Club Officer's School so there is little point to going into them here.

It should be sufficient that treasurers are aware of such things and know where to seek assistance when it is needed.

SECTION 5: SETTING UP THE BOOKS

Introduction

The formal requirements that must be met in setting up a book keeping system for a Lions Club are simple:

- The books must comply with all legal requirements such as:
 - The Lions Constitution
 - The local State or Territory Incorporated Bodies (Associations) legislation or regulations.
 - Commonwealth requirements such as taxation, GST and stamp duty.
 - Accounting Standards required by any of the above.
- The books must be able to be easily used to provide members and other legally interested parties with whatever financial information they reasonably require.
- The books must be simple to use and understand for:
 - The treasurer
 - Anyone who has to fill in for the treasurer, whether during expected absence, sickness, emergency or other reason.
 - The auditor, and any other person with a legal interest in the club's financial situation.
 - The treasurer's successor.

Considerations

- The book keeping method chosen should be as simple as possible consistent with the legal requirements.
- The level of detail recorded should not extend past that required by legal requirements or members real need. Detail equals work. Smart people avoid work that is not necessary. For example:
 - There is no real need to separately record bank fees and each of the different government taxes. There is no legal requirement to do so, and club members are usually only interested in the total amount of costs incurred in operating the account so a single column of "Bank Fees and Government Charges" is all that is needed.
 - The only interest in members dues paid out is the total amount that is paid from Admin and the amount legally paid from Activities. Members do not normally want to know how much goes to which separate District or MD account. Don't record it. Just show "Dues Out" in both accounts.
- The method should allow easy and simple extraction of information for reports and other requirements.

□

Manual Or Computer?

The choice is yours – computers can cross balance without help but they don't have much common sense. Computers have made bookkeeping relatively simple and accurate and are in almost universal use in 2010, unlike when the first edition of this manual was produced in 2001.

Manual

Manual accounts are quite adequate for most clubs, although increasingly uncommon as computers take over our everyday lives. Unless your club is large or has complex projects, you will probably find manual accounting methods quite adequate. You will need a good calculator, preferably one with a tape print out, unless you have the ability to scan a column of figures and mentally add them quickly and always accurately. Since the only people I have ever met with this ability are practicing accountants or bookkeepers with a lot of experience, I suggest you get the calculator. If you *can* add a column of numbers as described, you probably have no business using this manual anyway!

Reports take a little more time to produce simply because the computer can be set up to generate them automatically, but the time taken is still not very long.

A good set of manual books is often quicker and easier to hand over to the next treasurer than computer based accounts, and can provide better continuity because exactly the same system can be used year after year. Computer methods vary according to the person using the computer even when the same software is used so continuity is harder to maintain. Even so, now in 2010, manual records are almost obsolete.

Computer

There are several ways ordinary spreadsheet programmes can be used to easily keep a set of books, raise the necessary reports and produce reconciliations. The need for manually adding and cross balancing columns of figures can be eliminated and even bank reconciliations can be made extremely simple.

To make the auditor's job easier, and also to provide continuity for future years, the whole set of computerised accounts should be printed out and bound at the end of the year to provide a complete record little different from manual books. Ordinary spreadsheet programmes such as Excel or OpenOffice's Calc are excellent for this purpose and there is really no need for specialised bookkeeping programmes although these can be used if desired.

If your club routinely has more than fifty income or expenditure transactions in any one account each month, or you are registered for GST and thus required to comply with GST legislation, then a specialised accounting package is probably justified. Quicken and Quickbooks can be easily adapted to Lions needs, as can MYOB and no doubt other ones but these programmes are all much more complex than needed by the average Lions club. They too are not considered here. If you need to use one, have a professional accountant set it up for you.

Before you even think of using your own computer spreadsheet accounts you should have a sound working knowledge of the spreadsheet programme you intend using. Unless you are totally familiar with ranges, formulae, 3D ranges and worksheets, cell and page formatting and printing, you should not consider setting up a computer system yourself.

There are simple spreadsheet-based templates designed to be easy to use, available for download from the MD Website Leadership page (and on the annual Australian Lions Training CD). Three versions are available and they are easy to use for people with only a moderate knowledge of spreadsheets, provided no attempt is made to modify them. (They are protected against accidental changes). Programmes (spreadsheet templates) are available for Microsoft Excel and OpenOffice. OpenOffice is a free open-source suite of office programmes similar to Microsoft office. It can be downloaded free from www.openoffice.org (but be aware that it is a huge file). It is included on the annual Australian Lions Training CD and is often also available on computer magazine cover CDs.

Computers make specialised reports easier to produce – full information on income, costs and margin for a particular project for instance can be easily separated from the main accounts. It also becomes practical to produce much more specific reports and financial information, though very often the Board won't make use of this sort of thing anyway.

Computers make it much easier to do the routine mundane tasks of bookkeeping. They can also cause monumental foul ups if common sense isn't used. Your choice

Setting up The Cashbook - Manual System

If you use computer bookkeeping, you can ignore this part and go straight to page 22

Introduction

There are many ways to manage accounting books, only one of which is given here with two variations. Both of these are simple to learn and simple to manage and are therefore ideally suited to simple club accounts.

The Book/s

The basic book used is a multi column dissection book. These are available from nine to about 27 columns. For most clubs, 12 columns will probably suffice. The more columns you have, the more detail can be recorded but the more complex the bookkeeping becomes.

Each account is handled separately, and within each account Income and Expenditure are accounted separately.

Method One - Continuous Records.

For this method, income and expenditure are accounted on separate pages. Entries are started at the beginning of the accounting year and simply continue to the end of the year.

This method is quickest to set up, but lends itself to year - to - date reporting only. Each time a report is needed, the columns must be totalled (in pencil) and cross-balanced before a report can be raised. Once further entries are made, the basis for previous reports becomes difficult to extract.

Another advantage is that only one or two pages are used for each income and expenditure account.

This is probably the most common method.

Method Two - Monthly Records.

In this method, income and expenditure are accounted separately but on the same page, with a new page for each month. There is more setting up to do with this method but reporting is much easier and more intuitive and it is easy to refer back to previous months.

A disadvantage is that considerably more paper is needed - 12 pages for the months plus a summary page.

This method is identical in principle to the simple spreadsheet computer system discussed later in this manual.

Dividing the Book

For a club with the common two accounts, Administration (Admin) and Activities (or Projects), for the first method four sections are needed. A club with other accounts, say a separate convention account, will need two more sections for each extra account.

These four sections can be easily accommodated in one physical book simply by adding tabs at the top or side to indicate their starting page.

A thick book is not needed. Few clubs will have even half a dozen entries in each section most months and there is no advantage in using the same physical book in consecutive years, so a thin book will be quite adequate. Some clubs simply use a few loose sheets, and this too is quite adequate.

For the second method, one page is used for each month for each account and both income and expenditure are included on that page, so twelve pages plus one summary page are needed for each account.

Laying Out the Book

Procedures given here are for two accounts - Admin and Activities. Simply repeat as needed for additional accounts.

For method one:

- ❑ Divide the book into six physical sections, with the third and sixth sections having only one or two pages. Two or three sheets will be plenty for the other sections for most clubs. Mark the sections with tabs stuck on in the margins or some other method to make it convenient to find the appropriate section.
- ❑ Mark the first tab and top page margin "Activities Income" or "Activities Cash Receipts"
- ❑ Mark the second tab and top page margin "Activities Expenditure" or "Activities Cash Disbursements"
- ❑ Mark the third tab and top page margin "Activities Income and Expenditure Statement" or "Activities Cash Summary" (Mark the tab with something like "ACTIV IN-OUT" so it will fit !)
- ❑ Mark the fourth tab and top page margin "Admin Income" or "Admin Cash Receipts"
- ❑ Mark the fifth tab and top page margin "Admin Expenditure" or "Admin Cash Disbursements"
- ❑ Mark the sixth tab and top page margin "Admin Account Income and Expenditure Statement" or "Admin Cash Summary". Abbreviate on the tab to make it fit.
- ❑ Repeat for any other accounts, with three similar tabs per account.

For method two.

- ❑ Divide the book into two physical sections, each with at least 13 pages, again marking with tabs.
- ❑ Mark the first tab "Activities" and the second tab "Admin"
- ❑ Mark the top margin of the first page "Activities July [year]"
- ❑ Mark subsequent pages one month at a time through to "Admin June [next year]"
- ❑ Mark the following page top margin "Activities Income and Expenditure Statement" or "Activities Cash Summary"
- ❑ Mark the thirteen Admin account pages in a similar manner.
- ❑ Return to the "Activities July" page. Mark the top left margin "Income"
- ❑ Rule a line across the page about half way down and mark the bottom section "Expenditure"
- ❑ Repeat for all the other "month" pages.

- This is the hardest and most time consuming part of your book keeping for the year!

Setting Up the Columns

Whichever system is used, the columns are set up in the same manner. Three columns are identical for all accounts for both income and expenditure.

- The first (left hand) column is always "Date" and can be marked on each page and account
- The next column (the widest one) is for "Details" for all accounts. This is where the name of the person or organisation paying money in, or the name of the person or organisation to which a cheque has been written and other relevant details are written.
- The last column (right hand most) is marked "Total" and is used to help check the entries.

Date	Details				Total

The first two dissection columns (all the rest of the columns are dissection columns) are used for:

- In all Income accounts, the first is labelled "Receipt No" and the next "BANK" or "TO BANK" .

Details	Receipt #	BANK			

- In all Expenditure accounts, the first is for "CHEQUE NUMBER" usually abbreviated to "Chq No" or "Chq #" and the next is "CHEQUE" or "CHEQUE AMOUNT"

Details	Cheque #	Cheque			

The remaining columns are where the amounts shown in the "Bank" column for income or "Cheque" column for expenditure are broken down (dissected) into different categories of income or expenditure. This dissection has to be done in such a way that meaningful information can be extracted easily and some thought needs to be given to what is required to come from the accounts.

ADMINISTRATION EXPENDITURE

Cheque	Dues Out	Bank Fees	Admin.	Supplies	Awards	Meals	

For instance, you will certainly want to know how much you have paid out for dues and how much has been paid in for dues, so your Admin income will have a column "Dues In" and your Admin Expenditure will have a column marked "Dues Out"

All income accounts that attract bank interest should have a "Bank Interest" column, and all expenditure accounts need a "Bank Fees" column. It is common in clubs to include bank charges and all government fees and taxes in this one column.

ADMINISTRATION INCOME

Bank	Interest	Dues In	Meals	Fines	Raffles		

The bottom of each page for method one, and the bottom of each section for method two is ruled off for a row of column totals.

Details	Bank	Interest	Dues In	Meals	Fines	Raffles		Total
TOTALS								

When you are finished, if you are using method one, you should have an income page and an expenditure page setup with column headings and a total row at the end for each different account.

If you are using method two, you should have a page for each month for each account set up with income and expenditure sections on each page. You will find suitable blank pages set up as far as possible at Appendix 8 which you can photocopy and staple together if you want to avoid a lot of the setup work.

There is also a separate downloadable file on the Lions Leadership Site that has copies of these appendices in Microsoft Word .doc format so that you can enter column details etc to suit your own club before you print them – saves a lot of work. (OpenOffice can also open .doc files)

A sheet set up for one account for one month should look something like this:

The image shows a sample accounting sheet for July 2007, divided into two main sections: Income and Expenditure. Each section has a grid of columns for recording transactions. The Income section columns are: Date, Description, Bank, Bank Interest, Meals, Fines, Raffles, and a TOTAL column. The Expenditure section columns are: Date, Description, Bank Fees, Meals, Fines, Raffles, Club Age In, Club Age Out, and a TOTAL column. The sheet is titled 'New Lion Club' and 'July 2007'.

SECTION 6: MEETING RECORDS, RECEIPTS AND BILLS

Avoid the muddle and confusion when lions descend from all directions wanting to give you money!!

Meeting Receipts

Have you ever seen a treasurer at a dinner meeting with Lions all around wanting to hand over their dinner fees, others waving bundles of Christmas cake cash in the air and still more lugging great bags of loose mint money about? There is probably a slow payer hanging in the background waiting to be asked for his dinner money, someone else wanting to pay dues and others late paying theirs. Don't forget it all has to be receipted, written up in the cashbook and banked in the right accounts. Ever wondered how the treasurer sorts it all out after the meeting?

The very thought might be one of the reasons you have never put your hand up for the job.

The easiest way to keep track of all this money is to use a general meeting receipt form such as that shown at Appendix 2. This form serves as a record and receipt all in one and has been designed to minimise the number of things the treasurer has to record at the meeting. All members names are already printed on the form, which is photocopied or printed off from the computer before each meeting, a column ("P") is ticked to indicate that Lion's partner is present at a partner's night rather than write the name in, there is room at the bottom to add visitors, guests and new members.

Columns are provided to record money received for all the common things and room to record other amounts against each member as well as space for fines, raffle money etc. A separate receipt is not necessary for dinner fees, fines and so forth, but one should be given for dues paid in or for any other amount *if requested*.

You, the Secretary and the Minutes of Meetings

When you read the section about constitutional requirements, you would have seen that all expenditure has to be approved by the Board and ultimately by the club.

Unless expenditure is recorded in the minutes of a meeting, there is no way you can show that it was actually approved, and unless it is recorded as a motion that has been approved by the club, you cannot show approval was given.

Every item of expenditure must have an accompanying motion approving it. Usually, the motion should include the actual amount of expenditure approved. An exception might be when ordering Lion Mints or Christmas Cakes, a motion approving purchase of a particular quantity would suffice because the actual cost is fixed and well documented within the Lions organisation. A better motion would still include the cost. A motion "....THAT we purchase one carton of Lion Mints for \$107.00" is much better than one ..."THAT we purchase one carton of Lion Mints."

The treasurer should pay close attention to meeting procedures and whenever a financial expenditure is proposed or agreed without any motion being apparent, the treasurer should be prepared to move an appropriate motion so that an official record is made.

When minutes of previous meetings are presented, again the treasurer should ensure that all financial transactions approved are actually covered by an appropriate motion and should be prepared to present whatever correcting motion is needed to rectify any error or oversight.

A copy of the minutes of meetings forms a part of the official books of the club, and the auditor may want to check that all expenditure has been approved, as evidenced by the minutes.

Accounts (bills!) and their payment.

From time to time you will receive accounts for items supplied on credit or for which payment in advance is required. These should be:

- ❑ Dealt with promptly
- ❑ Always paid by cheque
- ❑ Always have formal approval for their payment (i.e. a motion should be passed approving payment)
- ❑ Always be checked for correctness and accuracy prior to payment.

Often, you will already have approval when an account arrives e.g. a carton of Lion Mints might have been ordered against a motion "...THAT we buy one carton of Lion Mints for \$107.00" in which case approval already exists and the bill should be paid straight away.

When you do not already have approval, with the exception of the accounts listed in the next paragraph, you should be prepared to move at the next meeting to have these accounts paid.

Retrospective Approval of Payments

Some accounts must be paid without waiting for approval. You will have learned at the annual Club Officer's School that all accounts from Lions Clubs International, Multiple District and your own District ***must be paid as soon as they are received.***

You must then seek retrospective approval at the next meeting to have those accounts approved for payment by moving "THAT the account from....for....in the amount of....be paid". It doesn't matter that you have already paid it, or that you are required to pay it immediately on receipt, or that you have no option to pay immediately, the motion still must be recorded approving payment.

Accounts from Lions Clubs International - a Warning.

Lions Clubs International (LCI) issue a statement every month to every club. Whilst you must pay all outstanding LCI accounts (to your Cabinet Treasurer, ***never*** direct to LCI), the monthly statement is often taken to be an account and paid when in fact the amount has already been paid.

Part of the confusion occurs because:

- ❑ The account may have been paid but its receipt has not yet been processed. This is common because payments are sent by the club treasurer to the cabinet treasurer who then banks the funds in the LCI account in Australia and sends LCI the details. Often the next month's statement is issued before these payment details have had a chance to be processed.
- ❑ The amount on the statement does not correspond with any amount recently paid to LCI, so it appears to be a new account. What happens in practice is that the account is first raised in US dollars and then converted to Aussie dollars using the current exchange rate. Because exchange rates vary, an amount billed as one amount last month will be billed as a different amount next month.

Say you were billed last month for \$100US and the exchange rate was 59 cents, the bill would have been for \$169.49AU. This month, because the exchange rate has dropped to 53.4 cents, the new statement will be for \$187.27AU. This then appears as

a totally different amount to the \$169.49 which you know you paid last month, so you pay it again!

- There are often small amounts - usually under \$10 - carried forward on these LCI statements. These too happen because of exchange rate variations. They can be quite safely ignored until the next "real" account pops up, so long as they are substantially less than \$50US, after which point LCI get a bit cranky.

New accounts from LCI always have some covering documentation - either a separate membership list (the yellow form) if the account is for dues, or some detail on the body of the statement showing what the account is for. If there is no detail on the body, just an amount carried forward, you can be pretty sure it is not a new account at all.

Keeping Track of LCI Accounts

Normally with a regular statement of this kind you would carry out a monthly reconciliation to ascertain what, if anything, you owe. Because of the varying exchange rate, it is quite difficult to reconcile LCI accounts, and few treasurers try.

One way to keep track of payments fairly easily is to run a ledger account (use a copy of the Member's Ledger sheet at Appendix 2) *in US dollars*. Put the amount billed in US dollars, and put your payments in the US dollar equivalent of what you are paying. In this way you substantially eliminate exchange rate variations from your ledger. When an account/statement arrives from LCI, check the US dollar amount billed against your ledger to see if it is already paid.

This does not form part of your official account books, but it does help to follow accounts and statements from LCI.

SECTION 7: MAKING ENTRIES IN THE BOOKS

Introduction

The only real requirement in making entries in the cashbook is that of accuracy and care. Whilst errors can be corrected later, it is always easier to do the job properly in the first instance. *Applies to manual and computer based systems.*

Record Keeping Checklist

There are a several things you can do to help produce careful and accurate entries:

- Use the meeting receipt form from Appendix 2 (detailed in Section 6)
 - Double check your entries on the meeting receipt while you are still at the meeting.
 - Count the cash, check everything else at the meeting.
 - Ensure cheques are correctly signed, dated and show the correct amount on the butt as well as on the cheque..
 - Record ALL money received - cheques and cash.
 - Any mint money and similar coin amounts should be pre counted by Lions handing it in before the meeting, but is still subject to verification when counted by the treasurer. The receipt can be marked "subject to count". Uncounted money will need to be counted and added to the receipt, probably after the meeting.
- Give separate receipts for member's dues paid in, even though they are marked on the meeting receipt. It is good practice to keep a receipt book purely for member's dues.
- Follow up any queries or problems with Lions present at the meeting whilst everything is fresh in their (and your) mind.
- Be meticulous in recording all expenditure:
 - Ensure your cheque butts are complete and accurate
 - Mark the cheque number and date on any associated invoice
 - Ensure that the Secretary records a motion approving each item of expenditure.
 - Pay everything by cheque. (You can cash a cheque from cash at hand, then bank the cheque as though it was part of the cash if you need to, even if the cheque is actually banked back into the account on which it is drawn) This procedure is explained in more detail in Section 8.

SECTION 8: BANKS AND BANKING

Introduction

Timeliness the Key

There are several simple reasons to carry out your banking promptly:

- Cash in transit insurance only covers you for a couple of days. If you are robbed after that, you will have to replace the lost funds yourself unless your club is feeling particularly generous. Even then, any lost Activities (public) money would have to be replaced from administration money – replacing money you lost through not getting around to banking with activities money hardly constitutes a proper use of public funds!
- The sooner after a meeting that you bank, (and write up your books!) the clearer your recollection of events will be, and mistakes will thus be less likely.
- If anything happens to you – heaven forbid – your books will be easier for someone else to take over if everything is up to date.
- Money sitting in your home safe doesn't attract bank interest. While the bank might not pay much interest, it is still money your club is entitled to, and you have an ethical obligation to ensure that the interest received is maximised.

Bank Paperwork

The principle items of bank paperwork you will come across are:

- Deposit books and deposit slips
- Cheques, both that you write yourself and that you receive
- Bank Statements
- Change of Details forms where you notify the bank of changes to signatories, mailing address and the like.
- Various items relating to fixed deposits if your club has any.

There are of course many other items of bank paperwork, but you will not come across them very often.

Deposit Books and Deposit Slips

One of these must be filled out every time you bank money, with a separate one for each account. They are straightforward in use and self explanatory.

Wherever possible, use the deposit books in preference to loose deposit slips simply because the books provide a continuing record and slips can get misplaced or lost. Physically, the two are identical in layout and use.

When you must use a loose deposit slip, staple it to one of the covers of the deposit book so that it can be found easily later.

- Filling in the details

Be very careful to complete all the details on the deposit slip, particularly on the butt which becomes your only record of the transaction.

Make sure you complete the back of the deposit slip, again including the butt, with details of what the cash and cheques that make up the deposit are for and who from.

- The Auditor will want to check your deposit slips, and will want to see that one is present for every deposit you have made. The amounts written on the deposit slips will be tested to see that they are the same as the amounts written in the cashbook and also the same as the amounts on the bank statement.

Cheques

Everyone is familiar with cheques and most people are confident enough in their use, yet the same common errors are made time and time again.

Cheques are a wonderfully easy facility that simplify cash expenditure control and provide an uncomplicated and safe means of transmitting money to other people, organizations and places.

Misused, cheques are the stuff around which fraud, theft and misuse of funds revolve.

A few very simple rules need to be religiously followed to make cheques safe in use:

- **ALWAYS PAY BY CHEQUE. ALWAYS. NO EXCEPTIONS.** This principle is covered in greater detail elsewhere in this manual and is repeated here because it is so important. You have no record of anything you pay by cash and no protection against possible fraud. The Auditor has no record to use to verify the accuracy and honesty of your bookkeeping. You have nothing but memory to use to write up your cashbook.

There are ways you can use cash quite legitimately, but they are always preceded by drawing a cheque for the full amount so that you adhere to the principle, the records exist and can be verified, and you are protected against fraud.

Sometimes, you will need cash to pay for things, perhaps because the butcher who supplies meat for your food stall doesn't take cheques, and in any case you don't know exactly how much the meat will cost until it is weighed when you pick it up. There might also be a number of small items to collect from several suppliers for the same food stall, again where the exact cost is unknown. A cash float, dealt with elsewhere in this manual, covers this type of activity. Regardless, a cheque is still drawn first to provide the cash float.

- Never pre-sign a blank cheque.
 - o Constitutionally, at least two signatures, one of which must be the treasurer, are required on each cheque, but banks have been known to clear cheques with only one signature.
 - o Carrying a signed blank cheque is exactly as safe as carrying the entire account balance in cash – not very safe at all.
 - o If you really must raise a cheque when the exact amount is unknown, say for a club member to pay for some item he is picking up where the exact cost is unknown, then at the very least endorse the cheque "Not over *someamount* dollars". A phone call to obtain the exact amount would be much better.
- Fill in all of the details carefully and correctly, *including the cheque butt*.
 - o The butt is often your sole source of information when you go to write up your cashbook.

- o The Auditor will want to verify the cheque details against both the cashbook and the bank statements. To do so, he or she will use the cheque butts.
- Always “cross” cheques. (Draw two parallel lines across the cheque, usually with the words “not negotiable” between them.)
 - o This ensures that the cheque must be paid into a bank account and cannot be cashed over the counter.
 - o Most banks will pre-print your cheques crossed, and this is a wise idea. Alternately, use a cheap rubber stamp and cross every cheque in the book as soon as you pick it up.
 - o On the odd occasion when it is necessary to cash a cheque, say for a float for some function, a crossed cheque can be endorsed “please pay cash” as long as the endorsement is initialled by the same two signatories that originally signed the cheque. *See below for a practical way you can cash a crossed cheque without going to the bank!*

Cashing a Crossed Cheque Without Going to the Bank.

Usually, when you need to raise a cash cheque, say for a float, it is at a regular club meeting. If it is a dinner meeting where you have collected sufficient cash to cover the amount needed, there is a simple and quite legitimate procedure:

- o Raise a cheque for the amount required.
 - o The cheque can be raised on whichever account is appropriate.
 - o Mark *the cheque butt* with the full details in the usual manner; i.e. what the cheque is for, how much, the date, the payee name (who it is written to). Even though you want to cash this cheque, the payee name should be the Lion who is receiving the money. eg “Joe Bloggs, Float for stall Jan 3rd, \$400”
 - o Mark the payee *on the cheque* itself, (which should be crossed,) “Lions Club of *myclub* Administration Account”. This is deliberately different to the payee on the cheque butt, but still quite legitimate.
 - o Take the amount of cash on the cheque from your dinner proceeds and hand it over to Joe Bloggs. Bank the cheque in place of the cash you gave Joe along with the balance of the cash and any other cheques. The cheque in effect becomes that amount of cash.
 - o When you write the cashbook up, on the income side treat the cheque as just another amount of cash. In effect, you ignore it as a cheque and write the income cashbook up exactly the same way as you would have if the cheque had not been present. The presence of the cheque is irrelevant to the income from the meeting.
 - o The cheque is of course written up in the expenditure cashbook in the same manner you would for any other cheque you raise.
 - o You can cash a member’s cheque in the same manner if the need arises.
 - o If you cashed a cheque in this manner from Christmas Cake or other Activities account money received, the same principle applies and you would bank the cheque then in the Activities Account, because that is where the cash came from.

- o It does not matter if the cheque is banked back in its own account. In business this is a quite common practice. There is absolutely nothing wrong with banking a cheque drawn on the Admin Account back into the Admin Account.

Petty cash reimbursement is best handled in this same way, rather than giving the Secretary a cheque which he then has to take to the bank and cash. You simply write a cheque for the reimbursement amount, bank it in the admin account and give the secretary the same amount of cash from your receipts. See the section on Petty Cash starting on page 3 for more information.

Other Banking Documents

Some of the other bank documents you might come across include:

- o Change of address forms – use if the club changes its postal address. (ALL correspondence, including bank statements, MUST go to the official club mailing address.)
- o Change of signatory forms – used at least once each year when any of the account signatories change. You should collect these from the bank a few weeks before the end of your term as treasurer, so that they can be signed and submitted as soon as your term expires, ready for the new year.
- o Forms and letters relating to fixed deposits held by the club. Keep these in a safe place, they are valuable and hard to replace. The auditor will want to see the deposit records forms when he checks your books.

None of these items is used very often; all vary between banks. If you have any difficulty with them, have the bank explain them to you, or help you fill them in.

Summary

- o Do your banking promptly
- o Fill in deposit slips, cheques and their butts meticulously
- o Always pay by cheque
- o Always cross cheques
- o It is quite legitimate to bank a cheque back into its own account.

SECTION 9: KEEPING TRACK OF MEMBERS DUES

Introduction

Members Dues are payable ***in advance*** of a date set by the Board, usually 1st July each year, or 1st July and 1st January. Any member who has not paid by the due date is, strictly speaking, unfinancial and not entitled to stand for or hold office, vote at meetings or represent the club on any official basis.

One of the treasurer's tasks is to collect and receipt dues and maintain a record of them. There is also a requirement for the secretary to report to the Board any member who is indebted to the club sixty days after receiving written notice thereof. (Article VI, Section A) In practice, the treasurer either gives the written notice, or gives details to the secretary to give the notice. Either way, the treasurer needs to maintain records so he knows what the situation is.

There are times when a member owes the club for items other than dues. Sometimes merchandise is purchased from the Lions Shop or elsewhere on behalf of members. A member might receive an advance to pay for a convention hospitality book and then decide not to go, or for some reason owe for a dinner meeting. These items need to be tracked just the same as dues.

The Member's Ledger

The easiest and simplest way to keep track of money owed and payments made is by means of a member's ledger sheet.

A separate sheet is raised and maintained for each member.

This form of ledger is simple to run. There are five basic columns showing the transaction date, a brief description of the transaction, how much is due, how much is paid and the balance remaining. Additional columns can be added to show the date dues are paid up to, and to initial the transaction.

A form of ledger sheet suitable for Lions use is shown on the next page. It has been partly filled in with mythical entries to show how it is used in practice.

A blank copy ready for photocopying is at Appendix 2 and can also be found electronically in Word and Acrobat (PDF) format downloaded in the treasurer's documents download file.

Billing

A simple form of invoice should be prepared before members dues are payable and a copy handed to each member at least two meetings before they are due. Where the club has payment options such as annual or six monthly payments, the options should appear on the invoice. One possible form is given at Appendix 4.

At the first meeting after the date the dues are payable, a copy of the invoice endorsed "overdue" should be handed to any members who have not paid their dues. It is better that these copies are given to the secretary for distribution because they would then constitute notice of indebtedness as required by the constitution.

There will of course sometimes be legitimate reasons for non payment, and the circumstances should initially be discussed with the Secretary and President to decide an appropriate course of action. Being officious just because you have the power is rarely the right or ethical option.

Sample members ledger.

Blank version is at Appendix 1.

Lions Club of **Woop Woop**

MEMBER'S LEDGER

MEMBER NAME: John Q Marshall						
DATE	ITEM	AMOUNT DUE	AMOUNT PAID	BALANCE	DUES PAID UP TO	INITIALS
30/6/97	Dues for 1997-98	\$100		\$100		
1/7/97	Dues part paid		\$50	\$50	31/12/97	JM
23/12/97	Dues part paid		\$50	\$0	30/6/98	JM
30/6/98	Dues for 1998/99	\$110		\$110		
2/7/98	Dues paid in full		\$110	\$0	30/6/99	JM
6/8/98	Tee Shirt (Lions shop)	\$18.50		\$18.50		
14/8/98	Payment received		\$18.50	\$0		JM
<p>This simple ledger card keeps track of members dues and other amounts owed to the club, what amounts are due, what has been paid and how current the member's dues are. It is the easiest way to do what can sometimes be a time consuming and difficult task. Having the member initial the ledger each time dues are paid can help in later disputes over payment.</p> <p>A column could be added to provide a cross reference to the cash book entry although it should be on the same date as the ledger entry so this is not strictly necessary. Dues become due on the date decided by the Board, usually 1st July each year, or 1st July and 1st January. Because some members will pay twelve months in advance and others six monthly and because the actual amount of dues is set as an annual fee, it is usual to show the full amount due on the 1st July each year.</p> <p>As shown in the first three lines here, the full amount is debited each July, and payments are noted down as they are made, with a consequent change to the balance due and to the date dues are paid to.</p> <p>In this example the amounts due are shown in red, other amounts in blue. This is not necessary in practice, but serves here to clarify the procedure.</p> <p>Any other amounts owed to the club, such as items purchased from the Lions Shop on the member's behalf, can also be accounted using this card.</p> <p>A blank copy of this form ready for your use is at Appendix 1.</p>						

Summary

- o Use a simple ledger to keep track of money members owe the club
- o Use a separate ledger card (page) for each member
- o Prepare an invoice for each member each time money becomes due and give these to the Secretary to record and hand on.

SECTION 10: RECORDING AND REPORTING AN EVENT OR FUNDRAISER.

Introduction

All clubs have one or more major events and fundraisers on their annual calendars. Immediately after the event is over, everyone will be vitally interested in how it went. Did it make money? How much did it make? If it was not a fundraising event, then how much did it cost? And so on.

The very large events will probably have their own columns in your cashbook. For these, financial reporting will be easy because you will have all of the information already recorded separately in these two (income and expenditure) columns. However, unless you run a very large dissection section, with very many columns, you will not be able to record all of your events each in its own pair of columns. You will simply run out of columns long before.

Regular projects – usually fundraisers – use the same pair of columns to record everything over the whole year, although members will want to know how each separate episode turned out. Extracting these individual figures can be time consuming and sometimes inaccurate.

Progress reporting ongoing fundraisers

Some ongoing fundraisers such as Lion Mints and Christmas Cakes have their own columns in the cashbook, and extracting figures for your monthly report is fairly simple.

- If your regular report shows year to date income and expenditure as well as current period, then all that is needed is for you to do the simple arithmetic of taking expenditure from income for your report. In the case of Christmas cakes, you will also need the amount you have committed to pay unless you have already paid for the cakes.
- The difference between income and expenditure for the current period shows the result for the period. Simple!
- If yours is a manual system where totals for the whole year are all that are easily available then extracting the current period figures is a little more difficult because there is no physical cut off line drawn across your columns of numbers to indicate where to stop adding up for the current period.

If you draw a line across the whole page at the end of every month and then add the numbers for that month below it, as some bookkeepers do, then the totals below these lines each month will add confusion and possible error every time you add the pages, simply because they are numbers which must be ignored as you perform the additions.

A better system is to draw up a little table on a new page with column headings exactly the same as your cashbook but with the detail column showing the months in order from July to June. A pencil line can then be drawn across the cashbook page, or even a ruler or sheet of paper put across to show where to stop adding figures, and the totals extracted from the last entry up to the indicator can then be written on the new sheet, which becomes a month by month summary.

The reporting amounts can then be easily extracted in the same manner as any other bookkeeping method.

Sample cashbook summary table

2000-2001 Administration Account Summary - Income

MONTH	Interest	Dues	Raffles	Fines	Earnings	Fares Equalisat'n	Sundry	Total
July	2.56	80.00	24.50	12.80	0	0	0	119.86
Aug	0	0	36.20	16.40	0	0	0	52.60
Sep								
Oct								
Nov								
Dec	<i>This is a sample of a cashbook summary table, where the totals of cashbook columns each month are summarised to help in the reporting process. It is only used with the manual bookkeeping system described on page 20 where the cashbook runs continuously over the whole year. A separate table is drawn up for each account for income and expenditure. A blank table you can copy and use is at Appendix 9</i>							
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Totals								

Another type of regular ongoing fundraiser that many treasurers find difficult to record and report is where the club does something like run a regular food stall perhaps every week or every month. Although this event may have its own pair of columns in the cashbook, often more than one occurrence will happen in the same month, which will make extracting the individual amounts much more difficult.

Having a separate column for each time the stall is run is impractical, and in any case someone will be sure to want to know how much was spent on meat, or all the sundries like paper plates and napkins, or something else that would not be shown separately in the cashbook.

The easiest way to account for these types of events, and indeed any other major event with many different expenditure and income facets to it, is to run a subsidiary cashbook.

Using a subsidiary cashbook to record major events

This is probably the easiest way to provide club members with all of the information they want about the financial details of any major or ongoing event.

- A cashbook page is drawn up for the specific event only. As many columns as are needed to record all of the separate details are used, with one page for income and one for expenditure. Often, one page ruled across in the middle, half for expenditure and half for income, is all that is needed.
- You may not need a separate income dissection sheet because income often comes from a single source such as a till or ticket sales and there is nothing to dissect.
- A loose sheet is all that is necessary, and the blank cashbook sheet at Appendix 8 will work well.

- *This cashbook sheet does not form part of the official set of books. All cheques written and receipts banked are still recorded normally in the cashbook.* The subsidiary cashbook is purely an information sheet to make reporting and understanding easier. It can remain with the official books of course, but should be clearly marked for what it is – an information sheet.
- The “Cheque” and “Bank” columns are not used. Dissection columns simply show which items money came in from and which items it went out to.
- Think about what members are likely to want to know when you set up this little dissection sheet.
 - For a catering type of fundraiser, for example, it would usually be sufficient to list all of the disposable supplies such as paper plates, plastic cups, plastic cutlery, paper napkins and other non recoverable “hardware” in one column called something like “consumables”. There is absolutely no point in listing all of this stuff separately. Nobody will want to know. If they do, ask them to become your assistant for the next time, so they can record all the detail for you !
 - Another column might show meat, a different one soft drinks. Bread, butter and other perishables that will be written off if left over can be shown in their own column.
- The aim in setting up these dissections is to provide information to answer questions that might be asked later. “How much did all those paper plates and cups and things cost? Can we save money there?”; “What did all the non food things cost?” How much did it cost for gas, or site fees, or the licence, or a dozen other things?” Items like site fees, gas bottles, licences etc which are single expenditures, can be extracted easily enough so don’t need separate columns. Where there are several expenditures on a single type of item, then separate columns make extraction easier.
- If you have prepared a separate budget for this event, then the dissection columns should be the same as for the budget to make comparison of budget with actuals easier.

Once this little dissection sheet has been completed with all of the income and expenditure figures, the columns added and the cross balances checked to see that everything is in order, you will be able to produce as comprehensive a report as needed from the column totals.

This simple dissection sheet method is very good for accounting for all the small items that because of their nature are often bought from a cash advance. A cheque is of course raised for the cash advance, but it will have a single entry in your normal cashbook, and probably only be dissected into the column allocated to the project or event in that cashbook. By using a separate little dissection sheet, you can account for all the detailed expenditure easily, and be sure you have missed nothing.

Another (big) advantage of this method is that it is easy to follow later. The more usual method of checking cash expenditures like these is on scraps of paper, most of which are meaningless to anyone else, more so after some time has passed.

Since the method described here is not actually part of the official books, the dissection sheets can be filed in the project file instead of the treasurer’s file. Next time the project is held, they will prove invaluable in planning and budgeting.

In many instances, you can give the dissection sheet to the project chairman along with the float and ask them to return it filled out and with all the receipts etc.

Left over stock – accounting

Often with projects, particularly catering ones, there will be items left over. If the project is a regular one, then a lot of the left overs can probably be used next time. An alternative for at least some of the left over stock could be to dump it or perhaps it could be donated to the local old folks home or some other worthy recipient.

Each of these different scenarios needs a different bookkeeping approach to account for the left overs.

- Stock that is dumped – such as left over bread – is not accounted at all. It stays as an expense against the project and no separate action is needed.
- Stock that is carried forward ready for the next project such as paper plates, frozen meat, sauce and so on, can be valued at actual cost and the total value added to the project profits in your report. The next time you run this project, the total value of items carried over from last time should be added to the expenses in your report for that project.

The profit of the current project would have been higher by the value of the carried forward items had the quantities been correct, so the value is added.

Next time, the profit would have been lower if the carried forward items had been bought, so the expenses are shown higher to reflect this.

It is not usual to bother accounting small amounts in this manner, but it does improve reporting accuracy if you do it this way.

- Stock that you donate after the event should also be valued at cost. In this case, however, a slightly different approach is needed. You should raise a cheque for the value of the donated goods from your Activities account, and then bank that cheque as part of the proceeds of the project.

What this achieves is to show the value of your donation in the books as a donation, and to increase the income from the project by that same value. It simply improves the accuracy of your bookkeeping and reporting which is, after all, why we have a treasurer in the first place !

Example of a project dissection sheet.

Sausage Sizzle 18 Dec 2001 expenditure details. Paid from cash advance of \$250 cheque 78 plus \$72.30 taken from float on the day.

This was covered by cheque 81 rebanked with the float

Date	Details	Who	Meat	Cons.	Bread	Ice	Fees	Gas		Total
14/12	Woop Woop supermarket	Joe		12.50						12.50
15.12	Mitre 10	Fred						22.75		22.75
15/12	Woop Woop Council	Ted					25.00			25.00
17/12	Woop Woop butchers	Bill	132.00							132.00
17/12	Big Loaf Baker	Julie			28.00					28.00
17/12	Catering suppliers	Joe		27.80						27.80
18/12	BP servo	Joe				12.00				12.00
18/12	Corner store	Jim		12.00	14.00					26.00
18/12	Corner store	Jim	18.00		8.30					26.30
18/12	BP servo	Jim				8.00				8.00
	TOTALS		150.00	52.30	50.30	20.00	25.00	22.75		320.35

Have a close look at this little dissection sheet that the treasurer of the Lions Club of Woop Woop has used to account for a sausage sizzle. A surprisingly large amount of information is available from it.

In the notes he has written at the top, you will see that a cash advance of \$250 was drawn to cover the planned expenses. This was done because several different Lions were to make the purchases and most of the costs were not known exactly. Also, some of the suppliers do not take cheques. Raising and cashing a cheque in this manner satisfies the dictum “always pay by cheque” in a practical manner. Receipts for all of the purchases will be handed to the treasurer to account for all of the cash spent.

The name of each person spending money has been recorded to help follow up anything outstanding.

The columns have been added to get the totals, and have also been added across to the last column which itself is added. This total, in the bottom right hand corner, is checked against the total of the rest of the bottom line. The numbers must be exactly the same, which shows that all of the additions are correct on the page. This is called “cross balancing”.

You will notice that the total is more than the original cash advance, and looking at the sheet will reveal that extra bread, meat, ice and paper plates had to be bought on the day. The original estimates were too low.

To cover this expenditure, the treasurer has taken money from the till.

- As soon as he has all of the receipts for that money, and before the takings are banked, he raises a cheque for the exact amount of the additional expenditure - \$72.30 – and then banks it with the takings.
- The cheque is raised to “Lions Club of Woop Woop Activities Account” and banked in the same account. The cheque butt, however, says “Supplies for sausage sizzle 18/12”.
- Cash has been used for the purchases for which there was no alternative, but the requirement for all expenditure to be by cheque is still satisfied.
- The amount of the takings is also correct, which it would not be if the cash was simply taken and used. There would be no affect on the overall result, but both the amount of cash received and the actual expenses would be incorrect and misleading.

SECTION 11: CALCULATING BALANCES AND THE BANK RECONCILIATION

Introduction

When a bank statement is received, it almost never shows the same balance as the cashbook. Since the bank statement is proof of the amount of money in that particular account at the date the statement was printed, and the cashbook is the treasurer's record of the amount of money in the same account, it is necessary to work out the reasons for any difference.

This process is called Bank Reconciliation, or just plain Reconciliation. (*Reconciliation means simply "settlement" or "agreement"*)

Once understood, the process is quite simple although it does require meticulous attention to detail.

Why a reconciliation is needed

A reconciliation is needed to account for items which can cause a difference between the cashbook balance and the bank statement balance including:

- ❑ Any money which has been banked and recorded in the cashbook since the statement was printed
- ❑ Any money which has been received since the statement was printed and has been entered in the cashbook but not yet banked
- ❑ Any cheques which have been raised and recorded in the cashbook but have not been presented for payment at statement date.

(If this reconciliation is being prepared as part of a financial report, then all of the known transactions should have been written up in the cashbook, otherwise the report will not be as current or as accurate as it might be.)

Preliminary steps

First, ensure:

- ❑ all bank deposits are recorded in the cashbook
- ❑ deposits agree with the deposit slips.
- ❑ all cheques written have had their details recorded in the cashbook.
- ❑ the cheque butts agree with the cashbook entries.

The next thing to do is make sure the details shown on the statement agree with the ones recorded in the cashbook. Go through the statement line by line, checking:

- ❑ Cheque totals agree exactly between cashbook and statement for every cheque shown on the statement. As they are checked, place a small pencil tick alongside each cheque number on both statement and cashbook. This is a good time to make sure the cheque butt details agree, so check them and tick as well.
- ❑ Deposit totals agree with the deposit book and the corresponding cashbook entries. Again, mark off line by line.

If there is a discrepancy between the statement and cashbook, then:

- ❑ The amount has been recorded incorrectly in the cashbook. Check against the cheque butt, any invoice or other documentation, the amount approved for payment and

minuted by the secretary in the club's official minutes or any other record. Perhaps you have simply written a wrong amount in the cashbook or even on the cheque butt. Correct the cashbook entry before going any further.

- A cheque or deposit has been overlooked and simply not recorded in the cashbook. Correct by making the necessary entry, verifying it from the cheque butt or deposit book, not from the statement.
- The payee has altered the cheque. (very rare) This might be the case if the discrepancy is large. Have the President call an urgent Board meeting and involve authorities immediately.
- The bank has made a mistake. (rare, but it does happen)

Once the entries have been checked off as described, make the bank statement entries in the cashbook. These are simply the items appearing on the bank statement for which there is no supporting paperwork because of their nature. They include such things as bank fees, interest, government charges and stamp duties, cost of new chequebooks etc.

They are entered in the cashbook in the same way as any other transaction, as income or expenditure according to their nature. Generally all are expenditure except interest earned, which is income. As these are entered, tick them off on the bank statement just as you would for any other cashbook entry. By convention, in the "cheque number" or "receipt number" column, the letters "B/S" are entered to indicate the amount came from the bank statement and there is no corresponding cheque or receipt number.

Once this process is completed, every line on the bank statement should have been ticked off. Any that are not, go back and take the appropriate action – make the necessary entries or whatever other action is needed.

The reconciliation process

Caution: *An account cannot be reconciled until the preliminary steps described above have been carried out. Any attempt at reconciliation before these preliminary steps will lead to wasted time and frustration.*

There are many methods used to reconcile accounts. The one given here is simple to follow and easy to remember. It is best to draw up a simple pro forma to use with manual accounts. Spreadsheet based systems can have a virtually automatic reconciliation built in.

A suitable pro forma is attached as Appendix 3

The system shown here reconciles the whole year to the last statement date. A simple modification will allow reconciliations period by period, however the method shown here is a little less prone to error, if only because the balance carried forward is a constant and not subject to possible error at each reconciliation.

Bank reconciliation form (Appendix 3) explained:

BALANCE Brought Forward 1 JULY XXXX	\$	A	
Add: INCOME YTD	\$	B	
Deduct: EXPENDITURE YTD	\$	C	
= SURPLUS (DEFICIENCY)	\$	D	
BALANCE PER CASHBOOK	\$	E	
BALANCE PER BANK STATEMENT No. of (date)	\$	F	
Plus: Deposits not shown	\$	G	
Cash at hand not banked	\$	H	
(sub total G + H) =	\$	I	
(sub total F - I) =	\$	J	
Less Unpresented cheques per list	\$	K	
= BALANCE PER BANK STATEMENT	\$	L	

A: This is the balance you start the year with. It is the amount that the previous accounting year finished with. This amount will not normally vary throughout the year. The exception is that sometimes you must start your books off with only an approximate carry forward amount, perhaps because last year's books are still subject to finalisation. If this is the case, use the most accurate amount you can and write "Note 1" alongside box "A". At the foot of your reconciliation, write "Note 1: Balance brought forward subject to adjustment after (finalisation of 2000/2001 accounts / etc)"

When the final figure is available, you will need to drop this note and if necessary change the balance brought forward. You are unable to actually reconcile the account when the balance brought forward is unknown or approximate in this manner, unless it happens to be the correct amount.

B: This is the total amount of income from all sources as entered in your cashbook for the entire accounting period (i.e. from the start of the Lions year) to the reconciliation date. Note that the reconciliation date can be any date after the date on the bank statement. It could even be months later - say if subsequent statements were accidentally destroyed and copies had not yet been obtained. The further the dates are apart, the more adjusting entries will be needed and the less accurate the final result because of unknown amounts such as outstanding bank charges etc.

C: Again, this is the total expenditure recorded in your cashbook for the year to date and is treated in exactly the same manner as income.

D: If the expenditure (C) is less than the income (B), then take the expenditure away from the income and write the result at D. This is the nett income for the period, i.e. income less expenditure.

If you have spent more than you have earned, i.e. if expenditure (C) is greater than income (B), then the result is a loss for the period and is traditionally written in brackets to indicate a negative (i.e. minus) amount. You still take the expenditure (C) away from the income (B) to arrive at this negative result. A simple trick is to take the smallest number from the largest (i.e. take the income (B) from the expenditure (C)) to work out the negative amount. As long as you remember that it is a negative result, and write it in brackets, this works fine. See the worked example sheet on Page 43.

E: Take the amount you have worked out at D away from the carry forward amount at A if it is a negative amount (in brackets), i.e. if you have spent more than you have earned (and so drawn on funds carried forward to pay for this expenditure).

If the result at D is a positive number (not in brackets), i.e. if you have spent less than you have earned (and so added to the amount of money carried forward), ADD the result in D to the carry forward amount at A.

The result at E is the balance according to your cashbook. It is nothing more nor less than the nett result of operations for the accounting period added to (taken away from) the amount of money that was brought forward at the beginning of the accounting period. (nett means "after deductions" or "amount remaining")

F: This is the amount shown on your bank statement as "Closing Balance"

G: Any amounts you have deposited (and for which you hold a stamped bank deposit slip!) are totalled and written here. This is always money that has actually been banked, but not shown on the bank

statement. The date of the deposits must always be after the date on the statement. If they are not, then there must be a bank error or the amount has not actually been banked. (Repeat - you must hold a stamped deposit slip for the deposit. Writing out a deposit slip is not enough, it must bear a teller's stamp)

H: Any money (cash, cheques, credit card deposit slips or negotiable instruments) you have collected but not yet banked is totalled and written here. (All of these amounts must have already been written up in the cashbook.) Normally, there should be a nil entry here.

I: Add G and H and write the total here. This is the total amount of money you have collected and written in your cashbook but which does not appear on the bank statement.

J: Take the income sub total at I away from the statement amount at F and write it at J.

K: Go through the cheque butts. You will probably find some that were not ticked off when you checked the butts against the bank statement. Double check, then list these cheque details on the "Unpresented Cheque" schedule at the foot of the reconciliation statement. Add up the total value of these cheques and write it at K.

L: Take away the unpresented cheque total at K from the sub total at J to arrive at the bank statement balance at K. This amount should exactly correspond with the cashbook balance at E.

Discrepancies.

If you have been careful and diligent, the cashbook balance will exactly (to the cent) equal the bank statement balance and you will have completed a successful reconciliation. If there is a discrepancy, it is important that you find and correct it. A reconciliation that is not perfect to the cent is not really a reconciliation at all!

There are some things you can do to figure out the difference:

- First, calculate the discrepancy between the cashbook balance and bank statement balance. Then scan both the bank statement and cashbook entries since the last successful reconciliation. Does the calculated discrepancy show as an amount somewhere on the statement or in the cashbook? If it does, look closely and you will almost certainly find the answer to your problem - usually something recorded twice or not at all.
- Then, with a manual reconciliation, double check that all of your entries are correct. Check the actual amounts recorded in the cashbook against their source documents and bank statement again. Check your arithmetic - adding and subtracting - for errors. With a spreadsheet based system, you should only need to check that you have entered everything correctly, except that the first time the spreadsheet is used you might need to confirm that all of your formulae are correct and producing the intended results.
- If the cashbook balance is higher than the bank statement balance you probably have an expenditure-recording problem. Have you missed an unpresented cheque? You might of course have entered an income item twice - same result!
- If the cashbook balance is lower than the bank statement balance you could have an income entry problem. Are all the deposits entered? Perhaps an expenditure has been entered twice?
- If the amount is small, (under \$10 or so) it is most likely a missed or duplicated bank charge or tax. Double-check the "B/S" entries in the cashbook against the statement.
- If the amount is only a cent or two, it might be a simple recording error. A one-cent difference is almost always a recording error.

If all else fails, sleep on it then look again. Last night's insurmountable problem is often tomorrow morning's elementary oversight.

If that doesn't work, seek the help of a trained bookkeeper, but ask them to show you where you went wrong and how they found the problem. Next time it might help you do it yourself.

SECTION 12: THE TREASURER'S REPORT

There's not much point in keeping a good set of books if you don't tell someone.

Introduction

A good treasurer's report should be a masterpiece of understatement, but nevertheless should include all the relevant facts. The basis for compiling a treasurer's report should be to tell club members what financial facts they want to know, as simply, understandably, easily and accurately as possible, without burdening them with unnecessary detail.

Good book keeping is the basis of good, easy reporting. Given good book keeping, good reports are easily written

What should be included

Many treasurers simply give the (hopefully reconciled) balances of accounts as their report. That is NOT a treasurer's report, it is simply a statement of balances, and has no useful meaning; in fact **if the balances are not reconciled, they have no meaning at all!**

The report needs to include, *separately for each account operated by the club:*

- Reconciled account balance.
- A copy of the bank reconciliation.
- The bank statement, or a copy, to which the account is reconciled
- A statement of income and expenditure:
 - Since the last report
 - For the financial year to date
- A comparison of income and expenditure against budget. (Where budgets exist)
- A list of known accounts for payment
(Others present should also be given an opportunity to present accounts for payment.)
- A list of any accounts paid for which endorsement (i.e. retrospective approval) is sought.
- A report (verbal, written or both) of significant financial proceedings in the reporting period

These items are dealt with in detail below:

- Reconciled account balance, and a copy of the bank reconciliation.

Account balances that are not reconciled, that are for example read straight off a bank statement are virtually meaningless. They do not take into account current transactions not shown on the bank statement and are thus prone to errors that can be significant.

Always reconcile from the last available bank statement to as recent a date as is practical. The reconciliation date should be after the last club meeting, and should also be after any event or fundraiser involving money since the last meeting wherever practical.

Full details of the reconciliation process are given in the Bank Reconciliation section starting on page 39 however they are summarised here for convenience.

There are two main purposes of a bank reconciliation. They are to:

- Establish that your version of the club's bank balance, as shown in your cashbook, can be proved to be the same as (i.e. reconciled with) the balance that the bank

says you have, allowing for all current transactions in progress that might not be shown on the statement.

- Prove, to your Board, the Auditor, or anyone else with an interest, that your books are "above board" and legitimate. Whilst everyone knows you are honest because you are a Lion, you are actually proving your honesty as part of the reconciliation process. Regularly presented and confirmed bank reconciliations go a long way towards preventing financial fraud in clubs. Sadly, not all Lions are honest and treasurers have been known to skip with the cash. Prudent clubs require a monthly reconciliation simply to confirm their understanding that their treasurer is as honest as they perceive him or her to be.

- The bank statement, or a copy, to which the account is reconciled

A reconciliation is not a reconciliation without the bank statement. A dishonest treasurer could give any amount as the bank statement amount and then present an apparently reconciled financial statement when there was in fact no money at all in the account.

By presenting the bank statement for verification against the reconciliation, the treasurer is effectively proving the reconciliation.

A photocopy of the statement can be presented as part of the treasurer's report, which is ultimately tabled and becomes part of the official minutes of the club.

If there is some practical reason against copying the bank statement, then take the original to the meeting. You can have the Secretary and/or President sign a statement on the reconciliation to the effect "bank statement sighted and final statement balance verified" if you want to cover all your bases.

- A statement of income and expenditure:

- Since the last report

Some members will want to know how much has been spent on what, and from where any income has been derived since the last treasurer's report.

- For the financial year to date

This is exactly the same as above, except that it gives a running total from the start of the year until the report date. This section is particularly significant for ongoing projects like Lion Mint sales, where a particular month's results might show poorly because a carton of mints has been purchased during the period, or very well because the period shows all sales and no expenses, both of which are misleading. The "Year to Date" report helps even out these periodic fluctuations.

- A comparison of income and expenditure against budget:

This information is a measure of how well you are travelling, or perhaps it simply reflects the accuracy of your budget predictions. It is often presented as part of the statement of income and expenditure to save duplication. If yours is one of the many clubs that don't budget (shame!), leave this bit out.

- A list of known accounts for payment

(Others present should also be given an opportunity to present accounts for payment.)

The treasurer should prepare a list of accounts for payment before the meeting, and present it as the final section of his report. It is best if he encourages other Lions to bring their claims to him prior to a meeting for inclusion in his report, rather than establish them as separate claims. The claimant nevertheless would normally be

expected to speak in support of his claim as part of the process if the Board should so desire.

To assist continuity and ensure that no legitimate claim is overlooked, somewhere during this verbal part of the report, the question "Are there any other accounts for payment?" should be asked. This question avoids Lions popping up all over the place looking for reimbursement, and also gives any timid newcomers a chance to stake their claim.

Part of the treasurer's duty at the conclusion of this section of his report is to move "That the accounts as presented be paid" or similar – thus ensuring that there is a record of the formal approval of expenditure as required by the constitution.

- A list of any accounts paid for which endorsement (i.e. retrospective approval) is sought.

Official Lions policy requires that some accounts are paid as soon as they are received e.g. accounts for dues at all levels, and good treasurers pay these as soon as they can, without prior approval. There are sometimes other local accounts to which clubs have given similar status.

Although these payments must be made promptly without prior Board approval, there is still a constitutional need for all payments to be approved by the Board. Since the only way it can be proven that the Board approved a payment is for it to be minuted, then it follows that treasurers must obtain retrospective approval for all such payments by sponsoring a resolution (i.e. moving a motion) to get that retrospective approval recorded in the minutes.

- A report (verbal, written or both) of significant financial proceedings in the reporting period

Although everything that is needed is already included at this stage, a financial statement has little meaning to many members and they will appreciate a brief report of the significant things that happened in the reporting period. Keep it brief and to the point. Bank fees, taxes, minor receipts and payments are not significant. Ignore them!

If there has been no movement in an account, except for minor bank fees, taxes and charges, it is quite legitimate to report that "The account has had nil transactions since the last report and the current balance is .\$." If a bank statement has been received since the last report, you should still carry out a reconciliation and present it as part of your report, except that you should then report that "The account has had nil transactions since the last report and the current balance is .\$. for which a new reconciliation is tabled." (or words to that effect.)

Good reports will report separately on the nett results (i.e. total income less total costs) of significant fundraisers as soon as possible after the event. Any Lion can work this out for himself by taking costs away from income as they are shown in the statement. A good treasurer will save them the trouble, and in the process save himself the trouble of explaining how the questioner has probably taken the wrong bit away from the wrong bit so that they can jump to the wrong conclusion!

Lions legitimately want to know what the club made from any fundraiser (including ongoing ones like Lion Mint sales) since the last time they were told. The treasurer is the one to tell them.

Presentation method

Your report can be presented verbally, which is normal unless the report is unusually complex, or as a written report to which you speak.

In either case, parts you want included in the minutes should be given to the secretary in writing to ensure there are no mistakes with numbers.

Complex reports or detailed sheets of financial figures are best presented in writing to be tabled for circulation among the members, ultimately residing with the secretary.

In each case, keep your verbal report brief. There is absolutely no point in going into any great financial detail verbally, because it will be almost impossible for anyone to understand anyway!

Raising the Treasurers Report Automatically - almost

The spreadsheet based computer model (LionBooks and LionBooksBIG) suggested here looks after the greatest part of the treasurer's report automatically and all the treasurer need do is give a brief summary of its contents, present his accounts for payment and move acceptance of his report.

The printed sheets, including income and expenditure cashbook, bank reconciliation and income / expenditure summary both year to date and current period are printed out for circulation among members – three pages (4 for LionBooksBIG) and eventually become part of the meeting minutes.

Table 1 Income and Expenditure Statement

This is the most common method of showing the income and expenditure statement. To obtain an actual result, i.e. to show the difference between income and expenditure for any particular item, a calculation is necessary. The nett result is not shown as part of the statement, although it is usually what the Club members want to know.

An alternate method in which the nett result is shown is given at Table 2

Lions Club of Woop Woop
STATEMENT OF INCOME AND EXPENDITURE
For (Month, Year)
Administration account

YEAR TO DATE		ITEM	CURRENT PERIOD	
BUDGET	ACTUAL		ACTUAL	BUDGET
\$	\$		\$	\$
<i>000.00</i>	000.00	Members Dues	000.00	<i>000.00</i>
<i>000.00</i>	000.00	Dinner Fees	000.00	<i>000.00</i>
<i>0.00</i>	0.00	Raffles	0.00	<i>0.00</i>
		Auctions		
		Tailtwisting		
		Bank Interest		
<i>0,000.00</i> 0,000.00		TOTALS	0,000.00 <i>0,000.00</i>	
YEAR TO DATE		ITEM	CURRENT PERIOD	
BUDGET	ACTUAL		ACTUAL	BUDGET
\$	\$		\$	\$
<i>000.00</i>	000.00	Dues paid	000.00	<i>000.00</i>
<i>000.00</i>	000.00	Dinner costs	000.00	<i>000.00</i>
<i>0.00</i>	0.00	Raffle prize costs	0.00	<i>0.00</i>
		Auction costs		
		Bank charges		
<i>0,000.00</i> 000.00		TOTALS	000.00 <i>000.00</i>	

There is a danger of confusion between budget and actual in this type of table. A different typeface, italic text etc can be used to differentiate, such as in the example above where budget amounts are in normal italic text and actuals are in bold. Handwritten reports could possibly use different colours.

Table 2 Income and Expenditure Statement – another method

An alternate method for income/expenditure statements giving outcomes. The danger of misreading and confusion between budget, actual, income and expenditure is greater in this method.

Lions Club of Woop Woop
 STATEMENT OF INCOME AND EXPENDITURE
 For (Month, Year)
 Administration account

YEAR TO DATE					ITEM	CURRENT PERIOD				
INCOME		EXPENDITURE		Result \$		INCOME		EXPENDITURE		
Budget \$	Actual \$	Budget \$	Actual \$			Actual \$	Budget \$	Actual \$	Budget \$	
980.00	890.00	1250.00	1250.00	-360.00	Dues in/out	100.00	100.00	0.00	0.00	0.00
					Dinner fees/cost					
					Raffles					
					Auctions					
					Bank fees/interest					
					TOTALS					

This method is more complex and more difficult to prepare and most treasurers (and, hopefully, their clubs) will feel the effort is not justified.

SECTION 13: THE BUDGET

Introduction

A budget is simply a prediction of the finances of the club for some forward time, usually the next accounting year, and a prediction of periodic cash flows for that period. To many people the budget process is more of a black art than an exact science and there is indeed a certain amount of crystal ball gazing needed, but the process is still basically one of procedure, common sense and clear thinking.

Why budget at all?

Many clubs don't bother to budget, and believe that there is no need to go through the exercise at all. The major difficulty with this approach is that unexpected expenses, particularly administration ones, can cause financial embarrassment. It is a bit like "flying blind" – you never know when a mountain range might loom out of the mist ahead!

An example of the need for a budget could be dues: Twice every year, all clubs receive an account for dues payable to their District, to the Multiple District, and to Lions Clubs International. To cover the cost of these dues, clubs charge their members dues, and often use some form of internal fundraising to help reduce the amount members pay.

The budget process in respect of these dues is nothing more than working out how much will be needed to pay the dues and where the money to pay them is going to come from. If you do not work this simple little sum out before the accounts arrive, then it is quite likely that you will have a nasty surprise when the account appears and there isn't enough money to cover it. The constitution prohibits you from using other than admin money, and it won't let you levy members except through regular dues approved by the club with adequate notice given of proposed changes. The constitution also says that you cannot borrow money "beyond the current means of the club" so, if the admin income isn't enough to cover the admin expenditure, you could find yourself up that well known creek and no paddle in sight.

Another example of the need for budgeting is where numerous small donations are made from the Activities account during the year because they all seemed worthwhile at the time and there was money there to cover them, only to later find that there are insufficient funds to finance a major project that has been in planning for months.

Flexibility

Of necessity, budgets need a degree of flexibility. It is not possible to accurately forecast every bit of income and every bit of expenditure, nor is it necessary. A budget is not a hard and fast imperative that must be rigidly followed, rather it is a guide to good financial management.

You must be prepared to amend your budget throughout the year, to reflect changes in circumstances and real life outcomes. e.g. if a fundraiser falls substantially short of the budgeted target, then expenditures dependent on that income will need to be modified or other revenue sources found.

Unexpected expenses will need to be met, and the budget will need to be amended to cover them as they occur. Good budgeting will anticipate most, and will provide contingency funds for the unexpected so that a smooth financial passage ensues. This is one of the marks of a good treasurer.

Accuracy

It is impossible to accurately estimate every bit of income or expenditure and in fact many items can be no more than “guesstimates”, but that is no reason for budget inputs to be less accurate than you can manage.

Whole dollar amounts are used, and many items can be rounded in practical terms to tens, hundreds or even sometimes thousands of dollars. Where you realistically expect to make two or three hundred dollars from some fundraiser, then there is no point using an amount any more accurate than that. Perhaps \$250, or \$200, or \$300 depending on your best estimate, but not any finer division. \$275 would be inappropriate unless you had more accurate input than the original two or three hundred dollars.

Budget input sources

Most budget inputs are derived from historical records. These provide a starting point and are often quite accurate if they are updated to reflect cost changes and other relevant circumstances. e.g. a previous year fundraiser might have fallen flat because it clashed with some other event. If this year, it is to be moved so there is no clash, then better financial outcomes could reasonably be anticipated. Part of the budget process is to estimate those outcomes.

The draft budget should be discussed with Club members, committee chairmen and the executive to obtain their input prior to finalising it. Many will have intimate knowledge of a particular project and will be able to help you in your deliberations.

Your District’s Cabinet Treasurer will advise you of the amount required to pay dues, usually at the annual club officer’s seminar. You can also work out how much to provide fairly simply. The amounts will be the same as the previous year, varied by any amount set at the appropriate previous Convention, remembering that almost all are *pro-rata* (per member) so will vary in proportion if your membership has changed. (You should be aware that the membership on which dues are levied is the membership as at the May and November MM returns each year, and you must allow that dues will be charged for any members dropped after those dates.) Changes to dues must be approved at convention, so you can ascertain any changes over last year by consulting the records of the three conventions. International and Multiple District changes will have been published in the Australian Lion magazine, and your club should have a copy of the outcomes of your own District convention.

Some inputs can only be estimated roughly. For instance, you can never be sure either how much the club will receive in donations, nor how much the club will give in donations. You can, however, provide budget information that will help the club control the donations it makes.

Preparing to budget

Before you can begin to prepare a budget, you must have devised your cashbook dissections because these dissections are the individual items you will need to prepare a budget for. Each dissection item, income and expenditure, activities and administration, needs to have a corresponding amount budgeted for the budget to have any useful meaning.

You will need a copy of the most recent annual financial statements and the cashbook – probably the previous year – and an up to date income and expenditure statement from the current treasurer. You will also need some information from the current cashbook which you can obtain either by “borrowing” it from the treasurer or asking specific

questions for the treasurer to answer from his cashbooks. (A lot of treasurers are reluctant to part with their current cashbook because it is in pretty constant use. Also, if you should lose or damage the cashbook, the treasurer would have a lot of work to do to re-write it, so the reluctance is understandable.)

You will also need to know what dues are going to be charged next year (see above) and should discuss planned major new projects and initiatives with at least the incoming President, if not the whole Board before you even start.

Budget format

Commercially, budgets are usually prepared on a month-by-month basis to arrive at the annual totals. Often the annual totals are derived first, and then simply divided by twelve to obtain the monthly amounts. The main reason for month-by-month budgets is to predict cash flows, otherwise a budget that simply showed annual totals would be adequate.

Cash flows are just what the name implies – the amount of cash flowing into and out of an account for a given reason in a given time frame. Periodic cash flow predictions are needed because accounts which may balance over the whole year might well “go in the red” during the year if cash flows are not anticipated. Cash flows are said to be positive when money is coming into the account (income cash flow) and negative when it is flowing out (expenditure cash flow).

e.g. most clubs do not pay for their Christmas cakes until near the January last-payment date, even though a discount is offered for cash with order. The reason is simply cash flows, actually lack of positive (inwards) cash flows! When the cakes are ordered, there may not be enough money to pay for them in the account, so it becomes necessary to wait until at least a proportion of cakes are sold, creating a positive cash flow before payment can be made.

The common budget format is very similar in appearance to a normal dissection type of cashbook except that the columns show months and the detail section lists the incomes and expenditures.

A suitable layout you can use or adapt is given at Appendix 5. Use a separate sheet for each of income and expenditure for each account. You could easily devise a spreadsheet to do the arithmetic for you. If you do, save the blank sheet as a template so you can reuse it over and over.

Calculating the budget

Put simply, all that is necessary is to put the predicted income against each dissection item in each month's column on the income budget sheet and the predicted expenditure likewise on the expenditure budget sheet. Whilst this sounds like a very simple procedure, and in the sense of actually writing the numbers on the budget sheets, it is simple, the difficulty is in deciding what numbers to use.

Be conservative in estimating amounts. If you err on the downside with income (use the lowest estimate you believe reasonable) and the upside with expenditure (use the highest estimate) you will build in a safety buffer for the club. Income is likely to be greater than anticipated and expenditure less, so that you create a surplus which will help cover contingencies and prevent embarrassing cash shortfalls.

Working Papers

Before you can put any numbers on your budget sheets, you will have a lot of working out to do. If you calculate budget amounts and then simply write those amounts on the budget sheet, you will have no record of how the amounts were derived. When you or your

successors come to prepare next year's budget, that preliminary information could save a mountain of work! When someone queries the reason you used a certain figure in your budget, you'll be much better prepared if you can go back to your calculations and see exactly how you derived that figure.

As you work out each step in your budget, write the calculations and assumption down. Either write each item on a separate sheet of paper (an A5 pad is ideal), write them in a small exercise book so they are easily kept together, or put them all in a single computer file, perhaps with each item on a separate page so they can be easily printed for any successor without a computer. A spreadsheet programme is ideal for easy calculations, but a word processor is quicker. This is one place where the time needed to set up a spreadsheet is not justified by the time saved using it. Paper works as well as anything and my own preference as a heavy computer user is still the A5 pad. Make a mistake, rip the sheet up and start again. Simply staple the whole lot together in a folder when you are finished.

Whatever system you use, it is best to write your notes legibly and logically. Write so that someone else can follow your method months later.

A Sample Budget Working Paper

Budget 2001-2002 DUES			
OUT:	MD Dues	\$46.50	
	International Dues	\$18.90 (calc at 54cents A/\$US)	
	District Dues	<u>\$54.00</u>	
	Total dues per head:	\$ 119.40	Payable \$82.50 July, \$36.90 Jan
	For 28 members total =	\$3 343.20	\$2310.00 July; \$1033.20 Jan
	Activities amount \$23.47=	\$657.16	\$ 657.16 July, NIL Jan
	Admin amount:	\$2686.04	\$1652.84 July; \$1033.20 Jan
IN:	<u>AT CURRENT DUES RATES:</u>		
	24 ordinary members	\$80.00 = \$1920	- 18 pay all June; rest \$40 Jun Dec
	4 pensioner concession	\$40.00 = \$ 160.	all pay \$20 Jun \$20 Dec
	Dues in totals	\$2080	\$1760 June \$320 Dec

In this example sheet, you will see that the method used to calculate the dues budget is actually quite straightforward and logical. First, the amounts of dues payable has been found out and listed on a per member (per capita) basis. The amount of International dues was only available expressed in US dollars when this budget was worked out (you will be given the amount in \$A towards the end of the financial year, but in this instance, the treasurer was doing some early budget preparation) so the exchange rate used to calculate the \$A equivalent is shown.

The amounts and dates these dues are actually payable is also written down because this affects where the numbers go on the budget sheet itself. The total dues payable at whatever membership is expected to be on the May MM is used to calculate the total dues bill. Don't forget all the alternate classifications of membership, some do not pay dues at all. The amount that can legitimately be taken from the Activities account is then shown, allowing the final amount of dues needed from the Admin account to be calculated.

The amount of money coming in to pay these dues, and when it is due to be paid is shown next. You will see here that there are four members who receive a 50% pensioners concession and that some members pay their annual dues in June but others pay half in June and half in December. There are no regular late payers in this club, everyone pays before the due date.

The total amount of dues that can be expected to be paid in, and when it should be received, is shown next after which any shortfall or surplus can be shown. In this sample, there is a shortfall of over \$600. Although there will be a small cash flow surplus in July (\$107.16), there will be a shortfall in January of \$713.20. The treasurer elect who is calculating this budget has then made a note to discuss this shortfall with Jim (the President elect?) because it has to be found from somewhere. He has also worked out how much the increase in members dues will need to be to fund this shortfall so that the figure is available when the incoming Board discuss the budget. It is easier to work out the arithmetic of the options at your leisure than under the pressure of a meeting!

Although this sample has been shown worked "cent perfect", as previously noted, there is normally no need to budget in any smaller division than whole dollars and this is true of the dues budget too. Because there are a number of calculations involved in this dues budget where amounts are divided and the results would have to be rounded off each time, some treasurers find it easier to work with the cents. It doesn't matter much either way. Use whichever method you feel most comfortable with. Most budget inputs are estimates, so anything more accurate than whole dollars is really irrelevant.

Preliminary steps:

- o On each sheet, write in the same dissection items you have devised for the cashbook down the wide column, using one sheet for income and one sheet for expenditure for each account. e.g. your admin account expenditure sheet will usually show "bank fees & taxes", "dues", "club supplies", "administrative costs", "meal costs", "cost of prizes" and similar administration expenditure dissections (or headings). Your admin account income will show things such as "bank interest", "dues", "tailtwisting", "internal raffles", "meals or dinner fees" and other administration income items. Activities will include "Christmas cakes" and "Lion Mints" in both income and expenditure, "Dues" in expenditure for the portion of dues allowable from activities, "bank interest" in income and "taxes and bank fees" in expenditure and an entry for each of the other items you account separately.
- o If you are doing your budget manually, on sheets of paper, then use a soft lead pencil for the money amounts until you arrive at the final budget. It will save a lot of white out and a lot of re-writing. If using a spreadsheet on a computer, it isn't a bad idea to save each version of the budget separately as you progress so that you have a record of each stage. Simply save the first one as "Budget2000_2001_001" or similar, the next version as "Budget2000_2001_002" etc until you arrive at one you can save as "Budget2000_2001Final"
- o Once these headings are filled in, add the known amounts of money in the appropriate places. Dues are shown here as an example of the process:
 - You know how much dues you will have to pay out in July and January, and a look at last year will tell you how much of that was applicable to activities. If you have had a change in membership numbers, adjust the amount accordingly (divide last years dues by the number of members on the May MM report for the July billing and on the November MM report for January to obtain a pro-rata rate, then multiply the pro-rata rate by the current membership to obtain the current billing total) Don't

forget to adjust for any changes to dues approved at conventions. Put each amount in the column for the month they are required to be paid, i.e. July and January.

Your current club treasurer or secretary may also be able to tell you how much dues will be because they may have had notice of changes approved, or your Cabinet Treasurer Designate can usually tell you how much to allow.

There is a small dues component that is on a “per club” basis and not pro rata but you can safely ignore it if you do not know what the amount is. Including it in the per capita total in the procedure above is sufficiently accurate for budget purposes.

- You also know how much dues each member pays in and when it is due, so that amount can be entered on the income sheet in the appropriate columns. Some clubs have differing rates of dues, perhaps giving a reduction to aged pensioners or husband and wife couples, and you will need to take this into account. If some club members are slow paying their dues then that late amount should be put in the appropriate column for when they usually pay, not lumped in with everyone who pays in time. The reason for putting these amounts where you actually receive them is that they affect cash flows. If you don't have the money, you can't pay the bill!
 - The main purpose of budgeting should now become clear. Look at the amount you have to pay out for dues in July and January, then look at the amount you anticipate getting in from dues. Is there sufficient to pay the account? If not, where is it going to come from? What action do you, as treasurer, need to take to provide for this account?
 - Have another look at the sample budget working paper on page 48 to see how one treasurer worked out his dues budget.
- o Work each budget item out in a similar manner, using historical data, the incoming President's plans and any other assistance you can get.
- Bank fees and taxes can be estimated by using the same total amount as the previous year, dividing by 12. It isn't a significant proportion of the budget and as such is not worth wasting much time on. Bank interest can be treated similarly unless there is a significant change to the amount of money you hold in the bank.
 - Estimate the revenue from fines and internal raffles on the basis of the previous year average for ordinary meetings, partners meetings and special occasions. If yours, like most clubs, puts on a “bit of an effort” for partners meetings and special occasions such as changeover, DG visit and perhaps a Christmas function, then the income from fines and raffles is probably much greater at these meetings. Don't forget to budget in expenses for the raffle prizes unless these are donated by members. (If they are donated from the public, the raffle income is probably Activities money!)
 - Work through each major meeting-type function in a manner similar to the way you worked dues. Show meal cost to the club per head, cost of extras such as decorations or prizes, cost of free meals for guests and so on, then from that calculate the meal cost to each member to cover the outgoings.
 - Take each major project in turn and perform similar calculations. What are the costs involved? What income can be expected? What are the likely outcomes? If you have a regular fundraiser that always returns a certain amount, then it may be sufficient to simply show the nett return and not bother with all the detail. The

danger in this approach is that you have no check of cash flow and when the project comes around, there may not be enough money there to fund it, even though you know the project will show an overall profit. If you budget the expenses and income separately, any cash flow shortfall will be obvious at budget time and you will have plenty of time to rearrange things to overcome the problem.

- The Lion Mint and Christmas Cake budgets can be based on historical records too, but you should try to gauge opinion about how many cakes can be sold this year. Did we sell out before Christmas last year?, did we have cakes left over?, what about if our best salesman who always sells half our cakes has left the club? Any number of factors such as these will affect how much you budget. Part of your job is to anticipate them.

Unless you have better advice, Cakes and Mints can be budgeted at the same cost price and profit margin as the latest records show. The price may change, but the margin will stay around the same, so the only thing affected will be cash flow. You could err on the side of caution and budget for the cost of cakes to rise by 50 cents each and not be far wrong, and this would help your cash flow predictions be more accurate.

Don't fall into the trap of budgeting Mints at the full profit margin over cost. Some outlets will return only a bare margin, others better than the theoretical maximum. You will need to be guided by your club's sales records. Taking the total figures over a previous year and working out the margin over cost as a percentage is as good a way as any to come up with a number you can use with confidence.

As an aside, checking mints outlet by outlet in this way will sometimes show an outlet that should be withdrawn because it is not making an adequate profit.

- Once everything else has been calculated, you will be able to see how much money could be available for donations and new, as yet unplanned, projects, and when it should be there. You will then be in a position to give sound financial advice whenever someone comes up with an idea that involves spending money.

Contingency provisions.

Because there will always be items you cannot foresee, it is a good idea to build some sort of contingency provision into any budget. You could do this item by item, simply add it as a component of the total budget amount, or just pad out all expenses a little and underestimate all income a little. The end result will be the same.

The best way is to add a single line item at the end of each budget expenditure sheet, called contingency, provide a percentage amount, often 5% or 10%. This is more easy to follow than padding individual items and less likely to be misunderstood or changed. When you discuss your budget with the Board, someone will be sure to point out that you have budgeted too much for some item which is padded, but few will dispute the need for a contingency sum.

Finalisation.

When everything has been calculated, balanced and cross balanced you can type or write up a final copy and be proud that you have completed your first Lions budget to the best accuracy you can achieve. Watch your budget during the year, see how actuals compare with your estimates, don't be disappointed when they don't compare very well, and you will learn many things that will help next time you prepare a budget!

Your club will be well prepared for its financial future thanks to the effort you have made to provide a good meaningful budget. There shouldn't be any surprises with nasty bills you can't pay, there should be funds available to finance all of the planned activities and you should finish the year with known financial outcomes. You will have done a very significant part of the treasurer's job, and done it well. Don't expect much thanks though. The results of budgeting tend to be unseen. There are no financial crises to draw attention and there is always money there when it is needed. Your part in ensuring that desirable outcome will go largely unnoticed. You can take pride in a job well done, even though it might be private pride.

Budgeting for a major dinner or similar function

Sometimes you will be asked to provide a budget for a major dinner. Often this will happen during the course of the year and not as part of your pre-year budget. A budget is necessary for this type of function because without it the club can very easily find that the function runs at a loss. Since any loss must usually be covered by the Admin account where there are almost never any surplus funds, it is better to budget well and ensure a profit or at least break even is achieved.

The same principles can be used to budget for a fund raising type of function such as a ball. Any loss would then come from Activities, but it would hardly qualify as a fund raiser then, would it! Getting the budget right is still very important.

The method shown here has been used to budget for District conventions, so it certainly works for major functions, even those run over several days.

The budget aim

While the overall aim of this type of budget is to ensure the event is profitable to whatever level of profit the club has decided, a major aim of the budget is to set the ticket price and a secondary aim is to control the cost of the function components.

There are many well meaning members of our organization who will do a wonderful job of decorations, or finding entertainers, or ladies corsages or whatever, only to submit accounts for them that eat up all the profits. Set a budget, and make sure these people know what their expenditure limits are before they start.

Preliminary work.

As with any other budget, the first thing to do is collect information and this must be done in conjunction with other club members. You want as much guidance for your budget as you can get. After a preliminary meeting, you will often have to wait for other Lions to go and get costs, negotiate with venues, etc.

Often costs for a number of alternatives will be obtained and then you might have to produce several variations on your preliminary budget. For instance, two bands might be chosen, one costing \$250 and a better one for \$900. A choice of venues might be necessary. Perhaps one has a meal charge of \$18 and another \$24, or perhaps both have the same meal charge, but one wants \$250 venue hire fee.

Collect as much information as you can before you do anything else. How much will decorations cost? How many official guests (paid for by the club) will there be? Are any of them to receive gifts and if so, what or to what value? If the event is to be advertised, where, when, by whom and at what cost? How many will attend – maximum and minimum numbers.? This last one is critical, and if the budget is for some major event where

numbers are not known, then a range of attendances needs to be calculated to cover eventualities. The method of doing this is shown later in this section.

Preliminary budgets

Preliminary budgets will be needed to help the club, the Board or the committee decide which options to take. They are a rough calculation of known costs used to show the consequences of the different options.

An example of a preliminary budget for a major function.

Preliminary budget DG's Visit Dinner 28th November.

Club members attending: 25

Partners + paying guests: 17

Official party: DG, DG's partner; Zone Chairman + partner; Mayor and partner; prospective member + partner = 8

Total attendance 50

Item	Number	Woop Woop Hotel		Woop Woop RSL Club	
		Cost each	Total cost	Cost each	Total cost
Dinners	50	17.50	875.00	21.00	1050.00
Corsages	23	2.50	57.50	2.50	57.50
Gifts	2	50	100.00	100.00	100.00
Entertainment			250.00	250.00	250.00
Venue hire			0		125.00
Decorations			100.00		100.00
Total cost			1382.50		1682.50
Paying guests	42				
Cost per head			32.92		40.06
Ticket price			33.00		40.00
Total amended	Less \$200		1182.50		1482.50
Cost per head			28.15		35.30
Ticket price			\$29.00		\$36.00

Total amended: Club to pay gifts from Admin account; decorations from existing stocks;

The Woop Woop treasurer has used this simple table to create a preliminary budget for the District Governor's annual visit. The club have chosen two suitable venues and drawn up a list of people attending including the club's official guests. They have also decided on the entertainment, set a value for gifts for the DG and partner and set a limit on the cost of decorations.

The treasurer has simply tabulated this information against both venues and calculated the per ticket cost to cover all of the other costs, including the non-paying guests. He was alarmed at the ticket price that eventuated, so he rang his President and together they decided to rework the costs with the club paying for the gifts from its admin account, and without the decorations. The resulting preliminary budget could then be put to the club for a decision.

In the following example, similar methods have been used to find a break-even point for a planned public ball. Our Lions Club of Woop Woop is planning to hold a ball as a fundraiser at the time of the local show. They will use a show hall and have arranged caterers to do the food. The Woop Woop Apex club have agreed to provide table waiters for a donation of \$50.00 each for the night. At least one waiter per 30 people is to be used. The Board have no idea how many people might attend, so they have asked the treasurer to prepare a budget to cover all possibilities from 80 people to 150. They have

also decided that a profit of 10% of takings is necessary to make the event worthwhile. There are 8 invited guests and these have been costed for meal, 4 corsages and drinks on table. This is what the treasurer prepared:

An example of a dinner budget where attendance is unknown

Woop Woop Show Ball Preliminary budget

Description	Unit Cost \$	Number Attending							
		80	90	100	110	120	130	140	150
Meal Cost	12.75	1020.00	1147.50	1275.00	1402.50	1530.00	1657.50	1785.00	1912.50
Venue hire	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Entertainment	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00
Drinks on table	4.50	360.00	405.00	450.00	495.00	540.00	585.00	630.00	675.00
Decorations	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00
Corsages @ 50%	2.20	88.00	99.00	110.00	121.00	132.00	143.00	154.00	165.00
Licence + permit fees	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Waiters fees @ 1/30	50.00	150.00	150.00	200.00	200.00	200.00	250.00	250.00	250.00
Add 8 freebies		146.80	146.80	146.80	146.80	146.80	146.80	146.80	146.80
Total basic costs		3389.80	3673.30	3696.80	3990.30	4173.80	4407.30	4590.80	4774.30
Contingency @ 10%		339.00	367.00	370.00	399.00	417.00	441.00	459.00	477.00
Profit @ 20%		339.00	367.00	370.00	399.00	417.00	441.00	459.00	477.00
Total Costs		4067.80	4407.30	4436.80	4788.30	5007.80	5289.30	5508.80	5728.30
= per ticket cost		50.85	48.97	44.37	43.53	41.73	40.67	39.35	38.19
Rounded ticket price		51.00	49.00	44.50	44.00	42.00	41.00	40.00	39.00

This exercise allows the club to easily decide a ticket price that will ensure they make a profit, and reinforces the need to get the numbers up as high as possible. A contingency allowance to cover unplanned expenses, usually between 5% and 10% is wise in this sort of planning. If it is not needed, then the profit margin is increased, but if it is used, then the profit is not eroded. Because the treasurer set this table out on his computer using a spreadsheet programme, he can easily copy it and then change things in a "what if" scenario. He could try a different meal cost to see the effect, perhaps a different venue, or drop the drinks on table. Any variation is easy. When the Board discusses the project, he will already have anticipated the questions and have answers ready.

SECTION 14: PREPARING MAJOR FINANCIAL STATEMENTS AND ANNUAL REPORTS

Introduction

Many clubs use professional financial people to prepare their major statements and annual financial reports, many others expect the auditor to do so. There is nothing wrong with using professionals although preparing the annual statements is NOT part of an auditor's task. The auditor's role is to audit the club's financial records. If you check your dictionary, you will find that "audit" means "review, check, examine, test, inspect, assess, appraise" Nothing about bookkeeping, which is what these annual financial reports or statements are!

Often there is an experienced accountant or bookkeeper in the club who is happy to do the preparation for you, or some friend of the club with the appropriate qualifications, and this is quite OK. Do remember, though, that the time of year when you want your statements prepared is also the busiest time of year for everyone in the financial world because it is tax time.

These annual statements are actually quite simple for most Lions Clubs because most Lions Clubs books themselves are quite simple, with few transactions and no complications. Given a little guidance, any club treasurer can prepare an annual financial report with little difficulty. An annual financial report is in fact much easier and quicker to prepare than a budget, and you worked through that all right, didn't you?

Composition of an Annual Financial Report

A large part of a simple annual financial report is the Statement of Income and Expenditure. This is nothing more than the same structure as your monthly Income and Expenditure Statement which you have been presenting (hopefully) all year, but compiled to include the whole of the year.

Another vital part of the annual report is a Bank Reconciliation, again covering the whole of the year.

The actual cashbook balance – the sum of how much you started the year with plus how much you received, less how much you spent, can be shown as part of the bank reconciliation or on the balance sheet.

All that is necessary once these documents have been raised is to show where the money they claim you have is actually held, and this is shown on a simple Balance Sheet

Preliminary Steps

Before you actually begin compiling your end of year financial reports you should ensure that:

- o Your books are written up completely to the end of the accounting period, i.e. to the end of June. The June bank statement must be obtained, its information entered in the books in the usual way, and a bank reconciliation for June must be completed. In other words, you must have completed all of the normal financial reporting items for June. Of course, all of the earlier months must also have been finished and each month's bank reconciliation done.

- o To avoid any bookkeeping complications and simplify the audit, you should make sure that all of your banking is actually completed before 30th June. It is better that you do not have any unbanked cash to carry forward into the new year.
- o A Bank Reconciliation for June is carried out (You need it for your last treasurer's report anyway!)
- o Towards the end of June, you should also arrange for any petty cash floats or other advances to be balanced, reconciled and made up to their full amount. This helps accuracy of your final figures for the year. If the secretary claims \$50 petty cash after the end of the year, it will represent expenditure made in your year but taken from the following year, thus creating a small inaccuracy in both years.
- o Because the value of stock such as Lion Mints is taken up when they are purchased, it is not normal to carry out a stocktake and include any stock value in the accounts just as it is not normal to show the value of assets for most clubs because of their unsaleable nature and relatively small value. If your club owns premises or other major assets, then you should seek professional advice. The vast majority of clubs can safely ignore assets and stock.
- o Although the Members Ledger does not form part of the accounts for reporting purposes, you should take care that it, too is written up to date so that the incoming treasurer knows where each member stands financially.

The Statement of Income and Expenditure

This is the heart of your financial report. It shows exactly where all of the money came from and where it all went to.

The format is exactly the same as you have prepared each month during the year, except that the sub heading is "*for the period 1st July (last year) to 30th June (this year)*" and the content is for the whole year.

If you are using the Lion Books spreadsheet system, this statement is prepared automatically. All you have to do is print it. If you are working manually, the method of compilation is the same as for a monthly statement, except that you take the total of each cashbook column for the year instead of the total for a month.

A sample statement is shown at Appendix 6 on Page 73.

The Cashbook Balance and Bank Reconciliation

These two items can be easily included on one sheet. The cashbook balance is necessary in any case to work a bank reconciliation, so this is as good a place as any to show it.

- o Again, the format is exactly the same as your monthly reconciliation and balance, except that the whole year is included.
- o The cashbook balance starts with the balance brought forward at the beginning of the year *which MUST be exactly the same as the balance carried forward at the end of the previous year, as shown in that year's financial statements.*
- o The expenditure and income are shown for the whole year and are simply the totals from your cashbook for the year.
- o The bank reconciliation is carried out using the June bank statement in the same manner as any other bank reconciliation is done.

- o The List of Unpresented Cheques is compiled from the June bank statement in exactly the same manner as for any other bank reconciliation and in fact will be exactly the same list as that on your June bank reconciliation.
- o The only difference between an end of year bank reconciliation and a monthly reconciliation is that the income and expenditure totals are shown for the whole year, which you may have been doing anyway for your monthly reconciliations. If you have been reconciling over the whole year period, you will already have compiled the year-end reconciliation!

An example is shown at Appendix 7 and a blank sheet you can copy for your own use is shown at Appendix 3

The Balance Sheet

The very words “balance sheet” strikes fear into many hearts. It is true that in business, a balance sheet can be a complex document that is difficult and time consuming to compile. In most Lions Clubs however, the balance sheet is very simple and takes only a few minutes to calculate.

It is so simple that it is almost superfluous and some clubs don't bother at all. For the sake of completeness, and because some auditors will insist anyway, you should compile a balance sheet for each account. Associations legislation may require a balance sheet, too.

With the simple cash accounting system we are using here, the balance sheet is nothing more nor less than a statement of where the club's money is actually held.

A separate balance sheet is prepared for each account, and a Consolidated Balance Sheet may then be prepared to show the total amount for the whole of the club's assets. It simply combines the information from each of the other balance sheets into one document.

Preparation

The balance sheet is compiled after everything else is complete. The final bank reconciliation must be done, the cashbook balance calculated and everything finished and correct.

Follow the format below, which is self explanatory.

Example of a Balance Sheet

Lions Club of Woop Woop

ADMINISTRATION ACCOUNT

Balance sheet as at 30 June 2000

Member's Funds

Member's funds carried forward 1998/99	\$ 584.72	
add: Surplus for the period	<u>\$3184.74</u>	
		\$3769.46

These funds are represented by:

Assets:

Bank Account	\$3769.46	
<u>Less: Liabilities</u>	<u>Nil</u>	<u>\$3769.46</u>

SECTION 15: THE AUDITOR

Introduction

Many Treasurers live in fear of the Auditor, usually because they don't understand what he or she has to do and see him as some sort of bogeyman. Stories abound of nasty things previous auditors required. *"He made me get him a full set of minutes for the year and then mark every place where expenditure was approved! – And then he gave us a qualified report because he said we hadn't approved all the expenditure. Everyone **knows** I ask for approval for everything I spend. We're trying to find a new Auditor for next year."*

The Auditor has a single job to do. He is required to verify that the Club's financial position is as stated in the Club's Annual Accounts. To do this, he will check that everything meets the constitutional requirements of the Club and the legal requirements of the State or Territory. He is required to cover the whole period since the Club's last audit, so if you didn't get one done last year, the whole period since you were audited must be covered.

One of the constitutional requirements is that the Board of Directors give their approval to all expenditure. The only way to show that this approval has been given is for a motion recording each expenditure approval to be recorded in the minutes. Many auditors require a full set of minutes for the year to verify that this approval has been given.

He will have to check that the bookkeeping entries are backed up by verifiable records, that the additions are correct and that entries are in the correct places.

Some of the things your auditor will want to check are:

- Cheque butt records match both bank statements and cashbook entries.
- Deposit slips match bank statements and cashbook entries.
- Other non-cheque or deposit slip items such as bank interest and bank fees shown on the bank statements are correctly recorded in the cashbook.
- That all of the cashbook entries are backed up by receipts, invoices or other verifiable evidence that the entries are what they purport to be.
- That the last bank statement reconciles with the cashbook balance.

You will learn how to prepare for each of these checks later in this manual, so that when you hand your set of completed books over to your auditor, his task is made as easy as possible. If you have checked everything he will check before hand, made sure everything is in order and provided easily followed cross references to receipts, minutes and so on, the chance of being given a severely qualified audit report is not only diminished, the cost of the report is likely to be lessened and the chance of the same auditor being prepared to do your audit next year will be greatly improved.

The auditor is required to be an appropriately qualified professional and must be seen to be "at arms length" from the club. Auditors are a cautious and careful lot because modern law has held that they can be liable for their mistakes. If, for instance, an auditor certifies a company's accounts as showing an accurate picture of that company's financial position, and then that company goes bad soon after, even though it may have hidden something significant from the auditor, he could still be held liable because he should have found the hidden item. This is the main reason that auditors no longer take on club audits free of charge (can you imagine what liability insurance must cost them?) and why they are so thorough in their pursuit of the real picture.

Help your auditor to help you, and you will find him or her a friend and supporter.

Preparing for the Audit

Before you can get ready to hand everything to the auditor, you must of course have finished all of your bookkeeping for the year and prepared an annual financial report as outlined in the previous section.

Once that is all done, collect all of the books and supporting documents together and check that everything the auditor will want is present and in order:

Documents for the Auditor

- *For each separate account you should have:*
 - A copy of the most recent audited financial report and the audit report for that year. This is needed so that the auditor can verify that the balance brought forward is correct and has been subject to audit.
 - Cashbook, written up to date, added and checked against the last (June) bank statement. Make sure it is labelled with the name of the club, accounting year and account name.
 - Set of bank statements for the full year, filed together in date order in a folder and labelled with the name of the club, account and financial year.
 - Bank reconciliation and balance sheet.
 - All of the deposit slips for the whole period, including any loose ones.
 - All of the cheque butts for the whole period.
 - All invoices and receipts that are available for all of the payments you have made, or other supporting documents. Some payments such as donations you have made will not have invoices, and this is quite OK. Sort all of the receipts and invoices into date order and file them in a folder again marked with the relevant details. Don't forget to separate them according to the account they belong to. Again, mark the folder with the club name, accounting period concerned and the account name.
 - Deposit Certificates for any fixed deposits your club holds.
- *For the combined accounts you should have:*
 - A full set of club minutes for the year, including minutes of meetings of the Board of Directors. These should be filed in date order and Board minutes may be either combined and filed in date order along with everything else, or presented separately. You can help the auditor immensely if you go through the minutes and highlight all expenditure approvals and any other relevant financial details so that they are easy to find. If you show the date each approved expenditure was recorded in the cashbook, or relate approvals to cashbook records in some other simple manner, your auditor's work will be greatly simplified.
 - A Consolidated Balance Sheet

When you hand all of these items to your auditor, with everything present and already checked, you can be pretty confident that you have done all you can to assist the auditor. A quick audit with no complications is the likely outcome of your thorough preparation.

SECTION 16: HANDING OVER

Introduction

Your year (or years!) as treasurer is over, you have completed your books, prepared for audit and handed everything over to the auditor. You are finished. Or are you? Not quite!

You will no doubt have helped the new treasurer compile the budget, but there are some other things you can do to ease the new treasurer into the job, particularly if he or she is inexperienced.

Helping the new Treasurer get Started

Some of the things you can do include:

- Complete your own bookkeeping and get your books off to the auditor as soon as possible.
- Obtain a second set of deposit books before your year ends so that the new treasurer has something to go on with right from the start.
- Separate the cheque books after the last cheque used in your year, so that only the butts for the cheques that have been used go to the auditor and the blank ones are retained in the club for current use. You can do this carefully, retaining the cheque book cover with the new cheques. Don't hand the whole lot over and leave the club without cheque access until the audit is finished! You can also just get new cheque books and alternate the two sets year by year.
- Get the bank signature change forms well before the end of the year, and have them completed, signed and submitted in time for the new signatories to take over on the first of July.
- Make a complete copy of your annual financial report to hand over to the new treasurer. If your bookkeeping has been done electronically, or if you have easy access to a photocopier, hand a complete copy of your cashbook over as well – it will help the new treasurer get set up and started.
- Don't forget to hand this manual over as well! If you have access to the electronic version of the manual, you will be able to copy it and give the incoming treasurer a copy as soon as he or she is elected so that there is plenty of time to study it before the official starts as treasurer.

Appendix 3 Suggested Bank Reconciliation Form

Lions Club of _____

BANK RECONCILIATION FOR _____ ACCOUNT

AT (DATE) _____

BALANCE Brought Forward 1 JULY _____	\$	
Add: INCOME YTD	\$	
Deduct: EXPENDITURE YTD	\$	
= SURPLUS (DEFICIENCY)	\$	
BALANCE PER CASHBOOK	\$	

BALANCE PER BANK STATEMENT No. _____ of _____	\$	
Plus: Deposits not shown	\$	
Cash at hand not banked	\$	
	\$	
Less Unpresented cheques per list	\$	
= BALANCE PER BANK STATEMENT	\$	

List of UNPRESENTED CHEQUES:

Cheque Date	Cheque issued to	Cheque Amount
UNPRESENTED CHEQUES TOTAL		\$

Appendix 4: Invoice for Dues or Other Amounts Owed

Although this form is primarily intended for members dues, you will find it useful for other things too, such as when the club does a fundraising task for some other organisation and they want an invoice.

You can photocopy this sheet after you write your club's name on it, and use it as a handwritten invoice, or you will find a copy you can use electronically in Word format in the treasurer documents download.

Lions Club of		Date
INVOICE		
To:		
DATE	DESCRIPTION	AMOUNT
		TOTAL DUE
<i>Please cross all cheques and make payable to Lions Club of</i> <i>We regret we are unable to accept credit card payments</i>		

Appendix 6 Sample Income and Expenditure Statement

You can follow this layout for your own reports. The "Lionbooks" spreadsheet system produces a report like this automatically every month and a separate annual one.

Lions Club of Woop Woop

ACTIVITIES ACCOUNT

Income and Expenditure Statement for the year ended 30th June 2021

INCOME

Bank Interest	\$6.25
Lion Mints	\$1,133.60
Christmas cakes	\$1418.00
Bus shelters	\$3,925.00
Woop Woop Show Ball	<u>\$3,341.90</u>

TOTAL INCOME **\$9,827.75**

EXPENDITURE

FID and BAD taxes	\$22.27
Dues out - District & MD	\$166.64
Christmas Cakes	\$1,240.00
Bus Shelters	\$1,764.50
Mints	\$210.00
Donations	\$1,086.00
Anzac day	\$589.25
Youth of the Year	\$239.30
Woop Woop Show Ball	<u>\$2,663.79</u>

TOTAL EXPENDITURE **\$7,981.75**

Surplus (deficit) of Income over Expenditure: **\$1,846.00**

Appendix 10: Use of Funds Chart and Information Sheet

This appendix is taken straight from the International Board Policy Minutes. There is no higher authority.



How Funds Are Raised	Use for Public Projects? (Activity Account)	Use for Administrative Expenses? (Administrative Account)
Administrative – dues, rental fees, fines, advertisement in newsletters to Lions	Yes	Yes
Public – any fundraising event open to the public, public contributions and bequests	Yes	No *
Interest – accumulated investments from money received from the public	Yes	No*
<p><i>*Direct expenses may be deducted from a public fundraiser to replenish the Administrative Account. Also, if a Lions building is used to meet the needs of the community at large, the club may deduct an amount of the proceeds of each activity held at the clubhouse to go towards the operating expenses of the building</i></p>		

Activity Fund (Public)

All funds raised from the public must be returned to public use, including money accumulated from invested public funds. These funds may not be used for administration, to benefit a member, or for travel and meeting expenses for conventions.

Administrative Fund

Administrative funds are supported through contributions from Lions through dues, fines and other individual contributions. It is possible for Lions Clubs to fund their administrative account in the following manner:

- Private fundraising activity limited to Lions Clubs members and their spouses
- Advertisement proceeds for Club Newsletters
- Donated member compensation for work as individual citizens at non-lion events, *while not dressed or identified as Lions*
- Deduct direct operating expenses of a fundraiser
- If the Lions building is used to meet the needs of the community at large, the club may deduct an amount of the proceeds of each activity held at the clubhouse to go towards the operating expenses of the building.

**LEGAL OPINION ADOPTED BY THE
INTERNATIONAL BOARD OF DIRECTORS
FUNDS RAISED FROM ACTIVITIES**

QUESTION:

May funds raised from the public be used for administrative or other non-public purposes?

OPINION:

No. The Articles of Incorporation of The International Association of Lions Clubs state that the association is organized, among other things, "to govern all such chartered clubs so that they shall be nonpolitical, nonsectarian, not for profit of the individual club or its individual members."

Therefore, the Articles of Incorporation of The International Association of Lions Clubs expressly forbid that any part of the net earnings from activities shall inure to the benefit of any individual Lion or Lions club. Since districts are created by the association to facilitate its administration of individual Lions and Lions clubs, this proscription, by implication, runs to district administrative expenses as well.

The wisdom of this proscription is clear. To finance and fulfill their basic function of service, Lions clubs ask the public to patronize fairs, circuses, raffles, shows and the like, and to purchase products infinite in variety. This public support is sought, and given, on the mutual understanding that the net funds raised thereby will go to finance some community need. Consequently, any diversion of such funds to other purposes constitutes a breach of faith with the contributing public. The proscription in the article quoted exists to prevent any such breach and to protect and preserve the image of Lions Clubs International. Therefore, the use of any such funds to finance convention trips, politics or candidates, or administration dues, deficits or expenses at the club, district, or international level is a breach of faith and an express violation of the basic document of the association.

This opinion shall be interpreted to mean that there shall be no public solicitation of funds to defray administrative expenses of a Lions club.